COUNCIL REPORT

CITY OF MOUNTAIN VIEW

DATE: April 22, 2014

CATEGORY: Consent

DEPT.: City Attorney's Office and Finance and Administrative Services

TITLE: **Compensation Agreement Related to Dissolution of Former Revitalization Authority**

RECOMMENDATION

Authorize the City Manager or his designee to execute the Compensation Agreement and submit it to the affected taxing entities for their approval.

BACKGROUND

In 2011 and 2012, the State legislature enacted two laws to dissolve redevelopment agencies in California, including the Mountain View Revitalization Authority (Authority). The Successor Agency has been winding down the affairs of the Authority under the supervision of an Oversight Board composed of designated representatives of the affected taxing entities. The taxing entities include Santa Clara County, Santa Clara Valley Water District, Santa Clara County Board of Education, Mountain View Los Altos High School District, Mountain View Whisman School District, Foothill-DeAnza Community College District, Bay Area Air Quality Management District, Midpeninsula Regional Open Space District, and the El Camino Hospital District. The County Auditor-Controller and the California Department of Finance (DOF) have review and approval authority over the Oversight Board's decisions.

In order to complete the wind-down process, the City of Mountain View, serving as Successor Agency, was charged with retiring all remaining obligations of the Authority and disposing of the Authority's remaining real property assets pursuant to an approved Long-Range Property Management Plan (LRPMP). The Successor Agency and Santa Clara County developed and presented a proposed dissolution plan to the Oversight Board (see Attachment 1) and the DOF in an effort to complete the dissolution process by the end of this fiscal year. On October 22, 2013, the Successor Agency, City, and Shoreline Community took actions to approve and authorize the Comprehensive Plan to wind down the affairs of the Former Authority and terminate the Successor Agency (see Attachment 2). On November 14, 2013, the DOF reviewed the Oversight Board's approval of the dissolution plan and approved the Oversight

Board action and also issued a Finding of Completion (see Attachments 3 and 4). As part of the dissolution package, the Successor Agency also submitted a LRPMP. The DOF approved the LRPMP on February 7, 2014 (see Attachment 5).

To complete the dissolution of the Authority, the only remaining task requires the taxing entities to review and approve a multi-party Compensation Agreement to share in the revenues generated by the two parking structures that were paid for in part by the Authority. The Compensation Agreement has now been negotiated. Once the agreement is executed, the parking structures can be transferred to the City of Mountain View and, in exchange, the City of Mountain View will compensate the taxing entities in accordance with the LRPMP and the Compensation Agreement. Upon execution of the Compensation Agreement by all the parties, both the Oversight Board and Successor Agency will be officially dissolved. Per the dissolution plan approved by the DOF, the goal is for all the affected taxing entities to execute the Compensation Agreement by the end of this fiscal year. The Compensation Agreement is only one, but the final component of the Comprehensive Plan.

ANALYSIS

The general terms of the Compensation Agreement have been finalized and the purpose of this agenda item is to present the key terms of the agreement to the Successor Agency and City Council for review and approval. The main concept underlying the agreement is that the taxing entities will share in any revenues generated by either of the two parking structures built, in whole or in part, with redevelopment funds in order to reimburse the entities for their investment to construct the parking structures for the remaining useful life of the structures. The structures sit on City-owned property and funds other than redevelopment funds were also used to pay for the construction of Structure No. 2. A formula has been agreed upon that reflects these three contributions to the structures—redevelopment funds, other funds, and the value of the City property on which the structures sit.

For Parking Structure No. 1, located on Bryant Street between Evelyn Avenue and Villa Street, the taxing entities will share 73.4 percent of any revenue generated by the use of this structure and the City will be required to share any revenues generated between July 1, 2014 and June 30, 2029. The term is based on a 40-year useful life of the structure, calculated from the date the garage was placed into service (1989). While no revenue is currently being generated at this structure, any future revenues, such as charging a fee to park at this structure, would be subject to the Compensation Agreement. Located at the corner of Bryant Street and California Avenue, Parking Structure No. 2 is currently generating revenue from a lease with CVS. The taxing entities will share 55.4 percent of this lease revenue from July 1, 2014 through June 30,

2047. Any future additional revenues generated at this structure, such as paid parking specific to this structure, would be subject to the Compensation Agreement during that time period.

The City will be responsible for maintaining the structures and will receive a management fee for doing so. The City is also obligated to purchase either replacement value or declared value insurance for both structures. The City chooses which insurance to buy to either insure the garages so that it could be rebuilt or insure the garages in an amount roughly equivalent to its depreciated value over a 40-year useful life (net book value). In the event the City desired to terminate the agreement prior to the end of the term of the agreement or the useful life of either structure, the City could choose to pay the net book value of the structure to the taxing entities.

FISCAL IMPACT

The formula in the Compensation Agreement with the taxing entities is to share revenues generated from the parking structures for the remainder of the 40-year life of each structure based on the contributory value to the parking structures from the Authority. The General Operating Fund and Parking District will receive approximately $78,000 and $40,000 less annual revenues, respectively.

There are other fiscal impacts related to the wind-down plan as discussed in the staff report of October 22, 2013.

ALTERNATIVES

1. Direct staff to renegotiate other terms to the Compensation Agreement.

2. Do not execute the Compensation Agreement.

PUBLIC NOTICING—Agenda posting.

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Attachments:

1. September 30, 2013 Oversight Board Report—Comprehensive Plan to Wind Down the Affairs of the Former Mountain View Revitalization Authority and Terminate the Successor Agency and Oversight Board (Including Long-Range Property Management Plan)
2. October 22, 2013 Comprehensive Plan to Wind Down the Affairs of the Former Mountain View Revitalization Authority and Terminate the Successor Agency
3. Department of Finance Approval of Oversight Board Action Dated November 14, 2013
4. Department of Finance Finding of Completion Dated November 14, 2013
5. Department of Finance Approval of Long-Range Property Management Plan Dated February 7, 2014