



Midpeninsula Regional
Open Space District

R-14-51
Meeting 14-08
March 12, 2014

AGENDA ITEM 5

AGENDA ITEM

San Carlos Wheeler Plaza Project, Disposal of Former Redevelopment Agency Property and Entry into Related Compensation Agreement

GENERAL MANAGER'S RECOMMENDATION

A handwritten signature in black ink, appearing to be "GMA".

Adopt a Resolution consenting to the sale of the Wheeler Plaza Project site in the City of San Carlos and authorizing the General Manager to enter into a Compensation Agreement with the City of San Carlos and its Successor Agency.

SUMMARY

The City of San Carlos (City) has requested Midpeninsula Regional Open Space District's (District) consent for the disposal of City Redevelopment property, as required under the law governing the dissolution of former redevelopment agencies to transfer the property to a private entity for subsequent development. The property in question is located in the City's downtown area, and is the proposed development is commonly referred to as the Wheeler Plaza Project (Project). The City has entered into a Disposition and Development Agreement (DDA) to allow for the mixed-use Project, which includes residential and commercial condominium spaces and a public parking garage. The Project has been approved to the extent applicable by the City, the San Carlos Successor Agency and the San Carlos Oversight Board (which represents all 17 taxing entities).

Prior to the transfer of one particular property (1245 San Carlos Avenue), the State Department of Finance requires approval of a Compensation Agreement by each of the affected taxing entities, one of which is the District. This requirement applies because these entities all share in proceeds from the disposal of redevelopment assets. The City contends that long-term revenues coming to the District from the transfer and development of the Project would exceed the net proceeds realized if the property were instead sold on the open market, by approximately \$277,090 over 20 years. These are estimates only. Per the District Controller, it is unclear whether a real financial advantage to the District exists if the property were transferred for development versus sold. However, the difference, whether negative or positive, is likely to be insignificant to the District. Therefore, the General Manager recommends entering into a Compensation Agreement, which would allow the City to proceed with their Project.

DISCUSSION

The City of San Carlos (City) entered into a Disposition and Development Agreement (DDA)

with Silverstone Development for the development of a mixed-use project, including residential and commercial condominium spaces and a public parking garage, in downtown San Carlos, commonly referred to as the Wheeler Plaza Project (“Project”). The Project, including the transfer of five properties, has been approved to the extent applicable by the City of San Carlos, the San Carlos Successor Agency and the San Carlos Oversight Board (which represents all 17 taxing entities). Prior to the transfer of one particular property (1245 San Carlos Avenue), the State Department of Finance is requiring approval of a Compensation Agreement by each of the affected taxing entities.

According to the City of San Carlos, development of the Project is expected to result in a long-term net revenue increase for the Midpeninsula Regional Open Space District (District) when compared to the liquidation of the property. The District’s percentage share of property tax revenue is 2.1% (shown in Exhibit A of the attached Resolution). According to the City, the anticipated result of the Project is a net fiscal benefit to all taxing entities (see Exhibit B of the attached Resolution). The City contends that the Project will also provide much needed local housing, updated commercial space and additional public parking that will not only benefit downtown San Carlos, but the greater regional community.

To proceed with the Project, the State Department of Finance requires that each affected taxing entity approve a Compensation Agreement. The Compensation Agreement is outlined in the attached Resolution. It provides for the sale of the property to the developer for \$1 and compensation to the District from the contribution of the property, consisting of the revenues to be derived from the development of the Project (as described in Exhibit B to the Resolution). Per City calculations, the net increase in revenues for the District under the Compensation Agreement is projected to total \$277,090 over 20 years.

The Compensation Agreement also authorizes the City to increase the disposition price for the sale of the 1245 San Carlos Avenue property, as long as the District receives a pro rata share of the net proceeds, if any, resulting from the sale.

FISCAL IMPACT

The District receives a portion of the property tax revenue generated from real property located in the City. With the dissolution of Redevelopment Agencies, the District receives a one-time payment of its share of any proceeds from the sale of Redevelopment Agency owned property.

Per City estimates, the value of the Wheeler Plaza property in the absence of the proposed development project is \$2 million, which would result in a near term one-time payment of \$42,002 to the District.

The City contends that the proposed Project is expected to generate net revenue to the District in excess of what the District would receive from the liquidation of the property. The proposed Compensation Agreement would yield approximately 2.1% of the net revenue from the development to the District. Current projections prepared by the City value this increment at \$277,090 over 20 years (see Exhibit B of the Resolution). These are only considered estimates. Per the District Controller, it is unclear whether a real financial advantage to the District exists if the property were transferred for development versus sold. However, the difference, whether negative or positive, is likely to be insignificant to the District.

BOARD COMMITTEE REVIEW

Board Committee review of this item is not required.

PUBLIC NOTICE

Public notice was provided as required by the Brown Act.

CEQA COMPLIANCE

The Board's actions, consenting to the disposal of property and entering into a compensation agreement, do not constitute a project under CEQA. The City of San Carlos is the lead agency for purposes of California Environmental Quality Act review of the Wheeler Plaza Project.

NEXT STEPS

The District anticipates receiving occasional updates about the Project including financial statements regarding any compensation due to the District pursuant to the Compensation Agreement.

Attachment

1. Resolution Approving a Compensation Agreement with the City Of San Carlos and the San Carlos Successor Agency

Responsible Department Head:
Ana Ruiz, Assistant General Manager

Prepared by:
Sheryl Schaffner, General Counsel

Contact person:
Ana Ruiz, Assistant General Manager

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MIDPENINSULA REGIONAL OPEN SPACE DISTRICT APPROVING A
COMPENSATION AGREEMENT WITH THE CITY OF SAN CARLOS AND
THE SAN CARLOS SUCCESSOR AGENCY**

WHEREAS, the City of San Carlos (the “City”) and Silverstone Development--Northern California, LLC (the “Developer”) entered into a Disposition and Development Agreement (the “DDA”) providing for the development by the Developer of a mixed-use project, including residential and commercial condominium spaces and a public parking garage, commonly referred to as the “Wheeler Plaza Project”; and

WHEREAS, the Wheeler Plaza Project cannot proceed without the inclusion of property owned by the San Carlos Successor Agency (the “Successor Agency”) identified as 1245 San Carlos Avenue; and

WHEREAS, in order to provide for contribution of the 1245 San Carlos Avenue property to the Wheeler Plaza Project, the City and the Successor Agency entered into a Cooperation Agreement providing for the sale of that property to the Developer pursuant to the DDA for the sum of \$1, which represents the fair reuse value of the property in light of the covenants, conditions and development costs required by the DDA; and

WHEREAS, the transactions contemplated by the DDA and the Cooperation Agreement are contingent upon approval by the State of California Department of Finance (“DOF”); and

WHEREAS, the San Carlos Oversight Board, which represents the affected taxing entities, initially reviewed the Wheeler Plaza Project at its meeting on April 30, 2013, and reviewed a slightly modified proposal at its meeting on September 9, 2013, and at both meetings approved the contribution of the 1245 San Carlos Avenue property to the Wheeler Plaza Project; and

WHEREAS, DOF, by letters dated July 25, 2013, and November 1, 2013, objected to the approvals by the San Carlos Oversight Board authorizing contribution of the 1245 San Carlos Avenue property to the Wheeler Plaza Project without obtaining compensation agreements with all the affected taxing entities; and

WHEREAS, in order to satisfy the requirement presented by DOF, the City and the Successor Agency are requesting approval of a compensation agreement by each of the affected taxing entities; and

WHEREAS, the compensation to be derived as an affected taxing entity from the contribution of the 1245 San Carlos Avenue property to, and the development of, the Wheeler Plaza Project is described in Exhibit A, attached hereto and incorporated herein by this reference;

NOW, THEREFORE, the Board of Directors of the Midpeninsula Regional Open Space District does hereby resolve as follows:

SECTION 1. The Board of Directors hereby finds and determines: (a) that the sale of the 1245 San Carlos Avenue property to the Developer for the Wheeler Plaza Project for the sum of \$1 (“disposition price”) is approved; (b) that the compensation to the Midpeninsula Regional Open Space District from the contribution of such property, consisting of the revenues to be derived from development of the Wheeler Plaza Project (as described in Exhibit B), is approved; and (c) that if, for any reason, Developer and City determine to increase the disposition price for the sale of the 1245 San Carlos Avenue property to an amount greater than the stated disposition price (“alternate disposition price”), such alternate disposition price is approved, subject to City’s and Successor Agency’s agreement that the Midpeninsula Regional Open Space District shall receive a pro rata share of the net proceeds, if any, resulting from sale of such property at the alternate disposition price.

SECTION 2. The Board of Directors hereby authorizes the General Manager to enter into a Compensation Agreement between the City, the Successor Agency and the Midpeninsula Regional Open Space District, consistent with the terms set forth in this resolution, and to the extent required by Health and Safety Code Section 34180(f), and directs that a copy of this resolution be provided to the City and the Successor Agency.

* * * * *

PASSED AND ADOPTED by the Board of Directors of the Midpeninsula Regional Open Space District on March 12, 2014, at a Regular Meeting thereof, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

ATTEST:

APPROVED:

Secretary
Board of Directors

President
Board of Directors

APPROVED AS TO FORM:

General Counsel

I, the District Clerk of the Midpeninsula Regional Open Space District, hereby certify that the above is a true and correct copy of a resolution duly adopted by the Board of Directors of the Midpeninsula Regional Open Space District by the above vote at a meeting thereof duly held and called on the above day.

District Clerk

TAXING ENTITY BREAKDOWN/SAN CARLOS RDA

Account Number	Account Description	2013-14 Factors
000100	San Mateo County (General)	0.2710544582
001001	San Mateo County (Library)	0.0395124575
018601	City of San Carlos	0.1325095278
030070	Belmont-Redwood Shores School District	0.0069359804
030840	Redwood City School District	0.0043003091
030860	San Carlos School District	0.2027190562
040890	Sequoia Union High School District	0.1786053592
060870	San Mateo County Community College District	0.0775593444
071070	Belmont Fire District	0.0000000000
072450	Harbor Industrial Sewer Maintenance District	0.0000521107
077070	Mid-Peninsula Water District	0.0000313257
078560	Midpeninsula Regional Open Space District	0.0210011640
079020	Bay Area AQMD	0.0023900414
079450	San Mateo County Harbor District	0.0040318776
079600	San Mateo County Mosquito & Vector Control District	0.0021948474
079890	Sequoia Healthcare District	0.0167391555
079994	San Mateo County Office of Education	0.0403629850
		1.0000000000

MID-PEN OPEN SPACE / 2.100% SHARE			
Net Impact of Wheeler Plaza Project			
Year	If Property Sold / No Wheeler Plaza	If Wheeler Plaza Project Developed	Net Revenue To District
	\$2.0M Land Sale \$0 Development	\$1 Land Sale \$72M Development	
Year 1	\$ 42,002	\$ 1,894	\$ (40,108)
2	428	2,406	1,978
3	437	7,455	7,018
4	446	15,199	14,753
5	455	15,579	15,124
6	464	15,968	15,505
7	473	16,368	15,895
8	482	16,777	16,294
9	492	17,196	16,704
10	502	17,626	17,124
11	512	18,067	17,555
12	522	18,518	17,996
13	533	18,981	18,449
14	543	19,456	18,913
15	554	19,942	19,388
16	565	20,441	19,876
17	577	20,952	20,375
18	588	21,476	20,888
19	600	22,013	21,413
20	612	22,563	21,951
Total	51,788	328,878	277,090
NPV			189,499
Return			28%