



Santa Clara Valley Water District

File No.: 20-0775

Agenda Date: 9/22/2020

Item No.: 3.1.

BOARD AGENDA MEMORANDUM

SUBJECT:

Approve City of Santa Clara Successor Agency Compensation Agreement.

RECOMMENDATION:

Approve City of Santa Clara Successor Agency Compensation Agreement.

SUMMARY:

Approval and full execution of the Compensation Agreement will result in positive fiscal impacts for the affected taxing entities including Valley Water (Attachment 1). Proceeds from the sale of the Convention Center parcels to the City of Santa Clara (the "City") pursuant to the Compensation Agreement will be distributed to the affected taxing entities, including the County, local school districts, and local special districts, in proportion to each entity's share of property tax distributions in the redevelopment project area. Although exact FY20-21 rates are not yet available, the approximate distribution for Valley Water will be \$100,000, according to County staff.

Recordation of the Conditions, Covenants, and Restrictions ("CC&Rs") as required by the Compensation Agreement will also facilitate the sale of two additional properties, known as the Hyatt and Techmart parcels, that will result in additional revenues to the affected taxing entities (Attachment 2).

Pursuant to Health and Safety Code section 34181(a)(1), the Successor Agency to the Redevelopment Agency of the City of Santa Clara ("Successor Agency") is required to dispose of all assets of the former redevelopment agency. On December 22, 2015, the Successor Agency's Long Range Property Management Plan ("LRPMP") became effective. The LRPMP directs the disposition of all properties owned by the Successor Agency. The Successor Agency has since disposed of many of the properties listed on the LRPMP. The last remaining properties as listed on the LRPMP include No. 2 - Santa Clara Convention Center, APNs 104-55-016, 104-55-017, 104-43-025 ("Convention Center Complex"); No. 3 - Techmart Meeting Center and Office Complex, APN 104-55-013 ("Techmart"); and No. 4 - Hyatt Regency Santa Clara, APNs 104-55-005, 104-55-012 ("Hyatt"). These properties are all adjacent and share common areas and a parking garage which are included in the Convention Center Complex. The LRPMP requires the disposition of the Convention Center Complex to the City pursuant to the Compensation Agreement for \$15,000,000, subject to credits as outlined in the Settlement Agreement, discussed below. After recordation of the CC&Rs, the

Techmart and Hyatt parcels are to be sold on the open market.

Previously, the County, the Santa Clara Unified School District, and the Santa Clara County Office of Education sued the City of Santa Clara and related city parties to enforce compliance with the Redevelopment Dissolution Law. A Settlement Agreement was entered into on January 11, 2016 between the County, Santa Clara County Office of Education, Santa Clara Unified School District, the City, the Successor Agency, the Housing Authority of the City of Santa Clara, the Santa Clara Stadium Authority, and the Sports and Open Space Authority of the City of Santa Clara (“Settlement Agreement”). The Settlement Agreement required the LRPMP to include specific actions to be completed relating to the disposition of the Convention Center Complex, Techmart, and the Hyatt. Prior to transferring the Convention Center Complex to the City, the Successor Agency is required to impose specific CC&Rs running with the land on the Hyatt, Techmart, and Convention Center Complex. The County and the City have worked together over the last year to develop CC&Rs to “ensure all access and other property rights necessary to preserve the existing leasehold rights of the Hyatt and Techmart parcels that burden the Convention Center Complex are preserved” as required in the Settlement Agreement. The CC&Rs are included as an attachment to the Compensation Agreement which directs the disposition of the Convention Center Complex.

The City/Successor Agency and County have worked together to develop the Compensation Agreement. In summary, once the Compensation Agreement is signed and executed by all of the affected taxing entities, the City/Successor Agency is required to record the CC&Rs. The City will transfer the Convention Center Complex to the Successor Agency, and then the Successor Agency will transfer the Convention Center Complex back to the City, subject to the CC&Rs. Approving the Compensation Agreement and the attached CC&Rs will have a significant positive impact on the affected taxing entities. Not only does it require the City and Successor Agency to take the necessary steps to transfer the Convention Center Complex, but the Successor Agency will then be able to sell the Techmart and the Hyatt. This will help conclude a lengthy effort to wind down the affairs of the Successor Agency.

Legislative Background:

The California State Legislature enacted Assembly Bill x1 26 (“ABx1 26”) to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code section 33000 et seq.), as amended by Assembly Bill 1484 (2012) and Senate Bill 107 (2015).

In March 2011, after Governor Brown had publicly announced the intent to dissolve all redevelopment agencies, the Redevelopment Agency of Santa Clara (now, Successor Agency) transferred all its assets to the City. When ABx1 26 was enacted in June 2011, it included a clawback provision where all asset transfers from the former redevelopment agencies to the cities after January 1, 2011 were void. However, the City did not transfer the assets back to the Successor Agency. After protracted litigation between the parties involved in the Settlement Agreement and the California Department of Finance, the Settlement Agreement was executed, and the City was legally required to transfer the assets back to the Successor Agency. Since the LRPMP was approved and the Settlement Agreement executed, the Successor Agency has sold multiple properties, including the Gateway Property, the Hilton Santa Clara, Great America, and the North/South Lot. Collectively, these brought in proceeds of nearly \$300 million distributed to the affected taxing entities. Once the Convention

Center Complex, Techmart, and the Hyatt are disposed of, the Successor Agency may wind down completely, making it the third out of nine Successor Agencies fully dissolved in Santa Clara County.

FINANCIAL IMPACT:

The proceeds from the sale of the Convention Center parcels to the City of Santa Clara will be placed in a county-wide Redevelopment Property Tax Trust Fund and will thereafter be proportionally distributed to the affected taxing entities. The approximate distribution for Valley Water of \$100,000 will be recognized as Property Tax revenue in the Watershed and Stream Stewardship Fund.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: Compensation Agmt (RDA Successor Resolution)
Attachment 2: SC Convention CCRs

UNCLASSIFIED MANAGER:

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