City of Culver City, California
Agenda Item Report

Meeting Date: 02/22/2011	Item Number: J-1
JOINT CITY COUNCIL/REDEVELOPMENT AGENCY BOARD AGENDA ITEM: Adoption of City Council and Redevelopment Agency Board Resolutions to (i) Approve of Option Agreements Granting the City the Right to Purchase Agency-Owned Property and (ii) Approve of Instruments Securing Agency Obligations related to the Option Agreements and Certain Cooperation Agreements.	
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Fiscal Impact: Yes [X] No []	General Fund: Yes [] No [X]
Public Hearing: [] Action Item: [X]	Attachments: [X]
Commission Action Required: Yes [] No [X]	Date: _______________
Public Notification: Meetings and Agendas – City Council (02/18/11) Meetings and Agendas – Redevelopment Agency (02/18/11)	
Department Approval: Sol Blumenfeld: (02/18/11)	City Attorney Approval: Carol Schwab: (by H. Baker) Agency General Counsel Approval: Murray Kane: (02/18/11)
Chief Financial Officer Approval Jeff Muir:	City Manager/Executive Director Approval: John M. Nachbar: (02/18/11)

RECOMMENDATION:

Staff recommends that both the City Council and the Redevelopment Agency Board (Agency Board) adopt Resolutions (i) granting the City the right to purchase real property from the Agency pursuant to Option Agreements; (ii) pledging the Agency's various accounts (e.g., operation accounts, investment accounts, etc.) as security for certain Agency Obligations (defined below) pursuant to a Pledge of Accounts; (iii) pledging to the City the right to receive payments under the Agency's promissory notes and the Agency's rights under the trust deeds and other security instruments securing those notes, and to the Agency's rights to receive payments under other agreements pursuant to a Pledge of Notes; (iv) pledging to the City the right to receive rents and leases from Agency-owned property pursuant to a Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents); and (v) perfecting the security interests to the City pursuant to a UCC with Attachment.

BACKGROUND:

In response to the Governor Brown's proposal for the state wide elimination of redevelopment agencies as of July 1, 2011, the City and Agency entered into a Cooperation Agreement dated January 15, 2011, as amended by a First Amendment to Cooperation Agreement dated February 22, 2011 (collectively as amended, the

"January 2011 Cooperation Agreement") pursuant to Section 33220 of the California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) (the "CRL") to aid and cooperate in the planning, undertaking, construction, and operation of certain redevelopment projects set forth in the Revised List of Projects attached thereto as Exhibit No. 1.

In addition, the City and Agency entered into a Cooperation Agreement of even date herewith (the "February 2011 Cooperation Agreement") to provide for implementation and funding for certain publicly owned buildings (e.g., the Public Safety Headquarters and the Veterans Memorial Building) as more particularly set forth in the List of Projects attached thereto as Exhibit No. 1. Collectively, the January 2011 Cooperation Agreement and the February 2011 Cooperation Agreement are referred to herein as the "Cooperation Agreements" and the "Projects" means the projects as more particularly set forth in the Exhibits attached to the Cooperation Agreements.

The Agency and City further desire to enter into further agreements for purposes of redevelopment and to secure the Agency's obligations thereunder and under the Cooperation Agreements.

DISCUSSION:

The City Council have adopted Redevelopment Plans for the Culver City Redevelopment Projects (collectively, the "Project Areas"), which results in the allocation of taxes from the Project Areas to the Agency for purposes of redevelopment.

The Agency owns certain real property described in Attachment No. 1 (collectively, the "Property") located in the Project Areas and is subject to the Redevelopment Plans. The Agency and City have prepared Option Agreements, a form of which is attached hereto as Attachment No. 4 (collectively, the "Option Agreements"), whereby Agency will grant the City an option to purchase the Property described therein for the City's use for municipal purposes to benefit the Project Areas in conformity with the Redevelopment Plans, which purposes may include the Projects described above or other municipal purposes, including the construction and installation of public infrastructure and facilities or the use of the Property to increase, improve and preserve the community's supply of low and moderate income housing.

Under the Option Agreements, the City shall acquire the right to purchase the real property described therein for the nominal sum of $10.00 which would be exercised by the City in the event of adverse state action, including the potential liquidation of the Property without the Projects or other municipal purposes contemplated thereon. The City's purchase of the real property under the Option Agreement will occur on the terms and conditions described in the Purchase and Sale Agreement attached to each Option Agreement as Exhibit B (collectively, the "Purchase Agreements"). In the event an as-yet-to-be-defined successor state-entity to the Agency were to take the Property and not sell it to the City, both the Option Agreements and Purchase Agreements require the Agency and its successors-in-interest to pay liquidated damages representing a reasonable amount, including the fair market value of the real property and the "opportunity cost" for not completing the Projects or other municipal purposes.

The Agency and City desire to secure the Agency's obligations under (i) the Cooperation Agreements, (ii) the Option Agreements and the Purchase Agreements, and (iii) the liquidated damages provisions therein (collectively, the "Agency Obligations") with the following instruments (collectively, the "Security Instruments"), forms of which have been prepared by the Agency and City and are attached hereto:

- Pledge of Accounts – Pledges the Agency's various accounts (e.g., operating accounts, investments accounts, etc.), as more particularly described in the schedule attached hereto as Attachment No. 2, to the City as security for the Agency Obligations described above.

- Pledge of Notes – Pledges the Agency's right to receive payments under promissory notes and the Agency's rights under the trust deeds and other security instruments securing those notes as well as the right to receive payments imposed through a DDA/OPA but for which there is no promissory note, all as more particularly described in the schedule attached hereto as Attachment No. 3, as security for the Agency Obligations described above.

- A Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents) – Assigns the Agency's right to receive rent and leases pertaining to the Property set forth in Attachment No. 1 as security for the Agency Obligations described above.

- A Uniform Commercial Code (UCC-1) Fixture Filing with Attachment – Perfects the City's security interests granted by the Option Agreements, the Pledge of Accounts, the Pledge of Notes and the Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents).

FISCAL ANALYSIS:

Collectively, the Projects, programs and obligations identified in the Cooperation Agreements amount to approximately $435,820,000. All costs generally include hard and soft costs and land acquisition where applicable.

ATTACHMENTS:

1. Schedule of Real Property
2. Schedule of Accounts
3. Schedule of Notes, Deeds of Trust and Agreements
4. Proposed Option Agreement
5. Proposed Pledge of Accounts

6. Proposed Pledge of Notes
7. Proposed Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents)
8. Proposed UCC-1 With Attachment
9. Proposed City Council Resolution
10. Proposed Redevelopment Agency Resolution

MOTIONS:

That the City Council Adopt a Resolution that:

1. Approves the form of Option Agreement; and

2. Approves the form of Pledge of Accounts; and

3. Approves the form of Pledge of Notes; and

4. Approves the form of Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents); and

5. Approves the form of UCC-1 With Attachment.

6. Authorize the City Attorney to review/prepare the necessary documents related to items 1-5 above; and,

7. Authorize the Mayor to execute such documents related to items 1-6 above on behalf of the City.

That the Redevelopment Agency Board Adopt a Resolution that:

1. Approves the form of Option Agreement; and

2. Approves the form of Pledge of Accounts; and

3. Approves the form of Pledge of Notes; and

4. Approves the form of Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents); and

5. Approves the form of UCC-1 With Attachment.

6. Authorize the Agency General Counsel to review/prepare the necessary documents related to items 1-5 above; and,

7. Authorize the Executive Director to execute such documents related to items 1-6 above on behalf of the Agency.