

**City of Culver City, California
Agenda Item Report**

Meeting Date: <u>9/24/2012</u>		Item Number: <u>JC-2</u>	
JOINT CITY COUNCIL/SUCCESSOR AGENCY BOARD AGENDA ITEM: Adoption of Respective Resolutions Authorizing the Processing of Documentation Reflecting the Successor Agency's Ownership of Former Culver City Redevelopment Agency Owned Real Property.			
Contact Person/Dept.: Jeff Muir/Finance		Phone Number: 310-253-6006	
Fiscal Impact: Yes ☒ No ☐		General Fund: Yes ☒ No ☐	
Public Hearing: ☐		Action Item: ☐ Attachments: ☒	
Commission Action Required: Yes ☐ No ☒		Date: _____	
Public Notification: (Email) Meetings and Agendas – City Council and Successor Agency (9/20/2012)			
Department Approval: Jeff Muir (09/19/12)		City Attorney/Successor Agency General Counsel Approval: Carol Schwab (by H. Baker) (09/19/12) City/Successor Agency Special Counsel Approval: Murray Kane (09/19/12)	
Chief Financial Officer Approval: Jeff Muir (09/19/12)		City Manager/Executive Director Approval: (09/19/12)	
<u>RECOMMENDATION:</u> Staff recommends that: 1. The City Council adopt a Resolution authorizing the processing of documentation reflecting ownership of real property by the Successor Agency; and 2. The Successor Agency Board adopt a Resolution authorizing the processing of documentation reflecting its ownership of non-committed properties by the Successor Agency. <u>BACKGROUND:</u> In response to Governor Brown's proposal to eliminate redevelopment agencies state wide (which was subsequently signed into law on June 29, 2011), the City Council and the former Culver City Redevelopment Agency ("Former CCRA") Board took various actions to transition activities of the former CCRA to the City in order to implement the Redevelopment Plan. On January 15, 2011, the City and Former CCRA entered into a Cooperation Agreement (as amended on February 22, 2011) pursuant to Section 33220 of the California Community Redevelopment Law (Health			

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and Safety Code Section 33000 et seq.) to create affordable housing and redevelop, revitalize and/or eliminate blight in the Project Areas.

On March 7, 2011, the City and Former CCRA entered into a Purchase and Sale Agreement to transfer ownership of certain real property in order to facilitate the implementation and completion of certain redevelopment projects identified in the Cooperation Agreement. Neither the Purchase and Sale Agreement nor the transfer of Agency properties were challenged within the applicable statute of limitations.

On June 28, 2011, the Governor signed AB x1 26 ("AB 26") making certain changes to the Community Redevelopment Law (CRL). Among other actions, AB 26 deemed the transfer of assets by a redevelopment agency to its sponsoring community (in Culver City's case, the City of Culver City) after January 1, 2011 as unauthorized. Furthermore, AB 26 invalidated agreements between the redevelopment agency and its sponsoring community. AB 26 requires all properties and buildings of the Former CCRA be transferred to the control of the Successor Agency to the Culver City Redevelopment Agency (the "Successor Agency"), effective February 1, 2012.

On April 20, 2012, the State Controller issued a correspondence ordering the City to reverse any asset transfer that was executed after January 1, 2011 and return the applicable assets to the Successor Agency.

On June 27, 2012, the Governor signed AB 1484, which made additional changes to the CRL to clarify and/or expand certain provisions contained in AB 26. Among other things, AB 1484 set out requirements for a Due Diligence Review to track the transfer of assets from the Former CCRA to other agencies after January 1, 2011 as well as track the assets transferred from the Former CCRA to the Successor Agency on February 1, 2012 (the Former CCRA's dissolution date).

Pursuant to the provisions of AB 1484 and based on the results of the Due Diligence Review, the Successor Agency may be required to make a cash payment to the County of Los Angeles for all assets transferred to the City (or any other public agency) after January 1, 2011 that the State Department of Finance does not consider encumbered by an Enforceable Obligation. The County of Los Angeles will then disburse that amount to taxing entities.

DISCUSSION:

Although the City does not acknowledge the transfer of the Former CCRA's real property assets was not in furtherance of, and in accordance with, the CRL at the time when the transfer was made, nor does the City acknowledge the effectiveness of the State Legislature's and State Controller's invalidation of those transfers, the City has limited financial resources and does not desire to initiate its remedies at this time.

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Additionally, AB 1484 designated the State Department of Finance (DOF) as the lead State Agency to implement AB 1484 and gave DOF the authority to review and approve, or deny, all decisions by successor agencies and oversight boards. Under AB 1484, there are some limited administrative provisions for appealing DOF decisions, but the DOF is ultimately the arbiter of their own decisions, and their decisions are final.

Consequently, staff recommends the City and Successor Agency take action in a manner consistent with AB 26, AB 1484, and the State Controller's order by rescinding the previous action taken on March 7, 2011 to transfer real property from the Former CCRA to the City. This action will require processing quitclaim deeds (or other appropriate instruments) reflecting ownership of the Former CCRA Properties by the Successor Agency.

FISCAL ANALYSIS:

The carrying value (i.e. purchase price) of the real property transferred from the Former CCRA to the City on March 7, 2011 was approximately \$37,755,000, which includes approximately \$3,075,000 of real property purchased with tax exempt bond proceeds. Rescinding the March 7, 2011 transfer will move the real property assets from the City's balance sheet to the Successor Agency's balance sheet, effective June 2012.

ATTACHMENTS:

1. Proposed City Council Resolution with Exhibits.
2. Proposed Successor Agency Resolution with Exhibits.

MOTION:

That the City Council:

1. Adopt a Resolution authorizing the processing of documentation reflecting ownership of real property by the Successor Agency; and
2. Authorize the City Attorney and City Special Counsel to review/prepare the necessary documents; and,
3. Authorize the City Manager to execute such documents on behalf of the City.

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That the Successor Agency to the Culver City Redevelopment Agency Board:

1. Adopt a Resolution authorizing the processing of documentation reflecting ownership of real property by the Successor Agency; and
2. Authorize the Successor Agency General Counsel and Successor Agency Special Counsel to review/prepare the necessary documents; and,
3. Authorize the Executive Director to execute such documents on behalf of the Successor Agency.