

**OVERSIGHT BOARD FOR CITY OF SAN DIEGO
REDEVELOPMENT SUCCESSOR AGENCY
MINUTES FOR
BOARD MEETING
OF
THURSDAY, MAY 31, 2012
AT 8:30 AM
IN THE COMMITTEE ROOM – 12TH FLOOR
202 C STREET, SAN DIEGO, CA 92101**

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COMMUNICATIONS RECEIVED

ADJOURNMENT

CHRONOLOGY OF THE MEETING:

The meeting was called to order by Chair Mark Nelson at 8:31a.m. The meeting was adjourned by Vice Chair Peter Q. Davis at 10:00a.m.

ATTENDANCE DURING THE MEETING:

PRESENT:

Mark Nelson, City of San Diego appointee
Maureen Stapleton, Special District appointee
Dr. Bonnie Ann Dowd, California Community Colleges appointee
Andra Donovan, Esq., County Superintendent of Education appointee
Peter Q. Davis, County of San Diego appointee
Supervisor Ron Roberts, County of San Diego appointee

ABSENT:

None

CLERK:

Nancy Gudino

ROLL CALL:

- (1) Ron Roberts-present
- (2) Peter Q. Davis-present
- (3) Mark Nelson-present
- (4) Maureen Stapleton-present
- (5) Bonnie Ann Dowd-present
- (6) Andra Donovan-present

ITEM DESCRIPTION:

Approval of committee minutes from May 11, 2012 meeting.

BOARD ACTION: Action Time: 8:32 a.m.

MOTION BY BONNIE ANN DOWD TO APPROVE. Second by Andra Donovan.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis

Nay: (None);

Recused: (None);

Not Present: (None).

Non-agenda public comment provided by Jim Varnadore and Katheryn Rhodes

Item 1, Report from the Oversight Board Legal Counsel Selection Committee regarding RETENTION OF INDEPENDENT LEGAL COUNSEL TO PROVIDE AS-NEEDED LEGAL SERVICES TO THE OVERSIGHT BOARD

ITEM DESCRIPTION:

Receive a report from the Oversight Board ad-hoc selection committee regarding the recommendations on respondents to the Request for Qualifications for Legal Services for the Oversight Board of the Successor Agency to the City of San Diego Redevelopment Agency.

Adopt a resolution including the following:

Select legal counsel through and including December 31, 2013;

Authorize the ad-hoc selection committee to negotiate and execute a contract with the selected legal counsel not to exceed a Board determined amount; and

Authorize Successor Agency staff to prepare any and all amendments to the Recognized Obligation Payment Schedules seeking to provide funding for legal services and transmit those amendments to the appropriate agencies.

STAFF RECOMMENDATION:

Approve proposed action.

SUPPORTING INFORMATION:

The Oversight Board is seeking independent legal counsel to provide advice regarding activities to implement AB 26. Consistent with the Board authorizing the Chair to seek legal counsel and later, creating an ad-hoc selection committee to continue those efforts, this action includes review and selection of legal counsel as well as provides a funding source for legal services.

On April 25, 2012 the Oversight Board authorized Chair Nelson to work to identify and contact legal firms that could serve as legal counsel to the Oversight Board on an interim basis. Staff was asked to work with the Chair to identify firms that had redevelopment experience and did not have conflicts with the Successor Agency, the Centre City Development Corporation (CCDC) or the Southeastern Economic Development Corporation (SEDC).

On May 11, 2012 Chair Nelson reported that the firm best qualified to provide interim legal services, had chosen to not provide legal counsel to Oversight Boards. Subsequently, the Board approved the creation of an ad-hoc selection committee and designated Chair Nelson and Board Member Donovan to serve on the committee. The committee was tasked with coordinating with Successor Agency staff to prepare and circulate a Request for Qualifications (RFQ) for Legal Services for the Oversight Board of the Successor Agency to the City of San Diego Redevelopment Agency. The committee was additionally tasked with reviewing responses to the RFQ and conducting any follow up necessary to present a recommendation to the Oversight Board.

This action includes a presentation of the recommended legal counsel from the ad-hoc selection committee. Consistent with previous Board actions, this action authorizes the ad-hoc selection committee to negotiate and execute a contract with the selected firm. Further, this action directs Successor Agency staff to prepare an amendment to the relevant Recognized Obligation Payment Schedules in an amount commensurate with the expected costs for legal services.

BOARD ACTION: Action Time: 8:41 a.m.

MOTION BY ANDRA DONOVAN TO APPROVE RESOLUTION. Second by Peter Q. Davis.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis

Nay: (None);

Recused: (None);

Not Present: (None).

ITEM 2 – Report from the Oversight Board Contact regarding DEPARTMENT OF FINANCE CONSIDERATION OF RECOGNIZED OBLIGATION PAYMENT SCHEDULES AND OVERSIGHT BOARD CONSIDERATION OF REVISED RECOGNIZED OBLIGATION PAYMENT SCHEDULE JULY 2012- DECEMBER 2012 (ROPS 2)

ITEM DESCRIPTION:

Receive a report from the Oversight Board Contact regarding communications with the Department of Finance associated with the submitted Recognized Obligation Payment Schedules and Third Amended and Restated Enforceable Obligation Payment Schedule.

Review and provide direction on revised Recognized Obligation Payment Schedule July 2012-December 2012 (ROPS 2).

STAFF RECOMMENDATION:

Approve recommended action.

SUPPORTING INFORMATION:

Pursuant to its duties to implement AB 26, the Oversight Board is tasked with the review and approval of Recognized Obligation Payment Schedules, which serve as a 6 month schedule of payments for enforceable obligations of the former City of San Diego Redevelopment Agency (former RDA). These schedules are prepared by the Successor Agency to the City of San Diego Redevelopment Agency (Successor Agency), reviewed by the Oversight Board, and submitted with Oversight Board revisions to the California Department of Finance (DOF). This report outlines the actions of the Board and any subsequent communications by the DOF.

On April 25, 2012 the Oversight Board considered and approved the Initial Draft Recognized Obligation Payment Schedule (ROPS 1), Second Recognized Obligation Payment Schedule (ROPS 2), and Third Amended and Restated Enforceable Obligations Payment Schedule (Third EOPS). On May 2, 2012 the DOF exercised its right to review the submitted documents which began a 10 day calendar review by the agency. On May 11, 2012 the DOF issued a letter (Attachment A). The general nature of the letter did not provide a basis for the Board to consider revisions to the submitted documents. Based upon subsequent communications with the DOF, the Board approved documents were resubmitted for DOF review on May 15, 2012 and it is anticipated that the DOF will issue a subsequent letter on May 25, 2012.

When the Board considered and approved ROPS 1 and ROPS 2, the disbursement from the County of San Diego (County) from the Redevelopment Property Tax Trust Fund (RPTTF) to pay for enforceable obligations on ROPS 2 was unknown. On May 1, 2012 the County provided all Successor Agencies with the Estimated Redevelopment Property Tax Trust Fund Allocations & Distribution to be distributed on June 1, 2012. Taking into account pass through payments to the respective taxing entities, approximately \$10.9 million dollars are estimated to be available to pay for enforceable obligations on ROPS 2. During the DOF review staff has worked with the state to identify potential

funding sources for ROPS 2, provide documentation on ROPS line items, and answer any questions regarding the operations of the former redevelopment agency. Based upon interactions with the DOF, staff submitted a draft ROPS 2 (Attachment B) on May 23, 2012 to the DOF for comment.

Testimony in opposition of Item 2 by Linda Wilson

Testimony in favor of Item 2 by Joyce Summer, Janelle Riella, Katheryn Rhodes, Katie Rodriguez, Virginia Angeles, Ivette Vega, Kris Michell, Kimberly Brewer, Gary Smith, Sean Wherley, Leane Marchese, Eric Smith.

BOARD ACTION: Action Time: 9:35 a.m.

MOTION BY MAUREEN STAPLETON TO ADOPT WITH THE INCLUSION OF THE RESERVATION OF RIGHTS LANGUAGE INCLUDED IN THE APRIL 25TH RESOLUTION WITH AN AMENDMENT IN ROPS 2 TO RECOGNIZE THE AMOUNT NEGOTIATED WITH LEGAL COUNSEL. Second by Andra Donovan.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis

Nay: (None);

Recused: (None);

Not Present: (None).

Chair Mark Nelson passed control of the meeting to Vice-Chair Peter Q. Davis.

ITEM 3 – Report from the Successor Agency ESTABLISHING A SCHEDULE FOR THE DATE, TIME AND LOCATION OF FUTURE PUBLIC MEETINGS OF THE OVERSIGHT BOARD

ITEM DESCRIPTION:

Discuss potential meeting times and locations.

Adopt a resolution establishing a schedule for the date, time and location of future public meetings of the Oversight Board.

STAFF RECOMMENDATION:

Adopt Resolution.

SUPPORTING INFORMATION:

On May 11, 2012 the Oversight Board designated May 31, 2012 as the next Oversight Board meeting and requested an item be docketed for the discussion of future meeting dates.

Based upon coordination with Oversight Board members it has been determined there are generally two options for the Board to consider for regular meetings. First, City facilities are generally available the second and fourth Thursday of the month in the morning. Friday mornings are generally available if booked in advance.

This action will set a schedule for the next several meetings based upon the availability of the board members and will notify the public of those meetings.

BOARD ACTION: Action Time: 9:38 a.m.

MOTION BY ANDRA DONOVAN TO ADOPT RESOLUTION STATING THE FOLLOWING MEETING WILL BE HELD JUNE 14th AT 1pm AT City Hall. Second by Bonnie Ann Dowd.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Ron Roberts, Peter Q. Davis

Nay: (None);

Recused: (None);

Not Present: Mark Nelson

ITEM 4 – Adoption of a Resolution to Approve the Settlement Agreement and Release for Acquisition of the 528-542 14th Street Property

ITEM DESCRIPTION:

Adoption of a resolution to approve the Settlement Agreement and Release ("Settlement Agreement") between the City of San Diego ("City"), the Successor Agency, and Hon, LLLP ("Hon"), a Colorado limited liability limited partnership, for the Successor Agency's acquisition of and settlement of litigation related to the real property located at 528-542 14th Street in San Diego, California 92101, and to authorize the expenditure of an amount not to exceed Three Million Eight Hundred Fifty Thousand Dollars (\$3,850,000) for payments required by the Settlement Agreement and for demolition needed to eliminate dilapidated and unsafe conditions on that property.

STAFF RECOMMENDATION:

Adopt resolution.

SUPPORTING INFORMATION:

In 2004 the former Redevelopment Agency of the City of San Diego ("Former RDA") began the process of assembling a redevelopment site ("Site") of up to approximately 40,000 square feet on the south side of Market Street between 13th and 14th streets in the East Village neighborhood of downtown San Diego, for the purpose of constructing affordable housing units and possible mixed-use development (see Attachment 1, Site Map).

One parcel associated with the assemblage of the Site is the real property located at 528-542 14th Street ("Parcel"), comprised of approximately 10,000 square feet of land. When assembled with adjacent properties previously acquired by the Former RDA, the Parcel's acquisition would create a total assembly to date of approximately 37,000 square feet of land. The Parcel's existing structures are in a substandard and dilapidated condition, thereby necessitating their demolition.

Similarly, the balance of the Site is in a substandard and dilapidated condition. The Former RDA had been attempting to acquire the Parcel through voluntary negotiations with the owner, Hon. In 2005 and through a separate agreement, the Former RDA paid the Parcel's tenant, Healthcare Services Inc. ("Tenant"), \$600,000 for relocation, fixtures, furniture and equipment (FF&E), and goodwill benefits, and the Tenant agreed to vacate the Parcel within one year. At that time, the Tenant assigned its leasehold interest in the Parcel to the Former RDA, but continued to pay rent directly to Hon for a period of time. Tenant has since ceased paying rent but remains on the Parcel, and City and Successor Agency staff are working with legal counsel to determine an appropriate date for Tenant's eviction.

In May 2011 , the Former RDA and City were named as defendants in litigation (Case No.: 37-2011-

00090762-CU-OR-CTL) brought by Hon, based on allegations of inverse condemnation/ pre-condemnation damages, and for breach of contract (unpaid rent) resulting from a lease with the Tenant.

In January 2012, the parties engaged in mediation, which resulted in agreement on terms whereby the City or the Successor Agency would acquire the Parcel from Hon and settle all litigation in exchange for a payment of \$3,700,000 ("Settlement Payment"). The Settlement Payment is allocated as follows: \$2,400,000 to real property acquisition and \$1,300,000 to legal settlement. The Settlement Agreement was authorized by the City Council and Board of Directors of the Former RDA in closed session on January 31, 2012. Successor Agency staff determined that an additional \$150,000 would be necessary to cover closing and post acquisition costs associated with the demolition of the Parcel's existing structures to improve the condition of the Parcel and prevent future liability to the City and Successor Agency, for a total of \$3,850,000 in Settlement Agreement-related costs.

The initial path for approval was for the City to approve and implement the Settlement Payment and acquisition of the Parcel. Pursuant to the Cooperation Agreement for Payment of Costs Associated With Certain Redevelopment Agency Funded Projects ("Cooperation Agreement") entered into between the City and the Former RDA on February 28, 2011, the City is authorized to acquire the Parcel utilizing Low and Moderate Income Housing Funds and Unrestricted Funds as provided in Item #354 of Exhibit 1 of the Cooperation Agreement.

On April 10, 2012, in recognition of the City taking the lead to move forward with the Settlement Agreement actions, the City Council authorized the Chief Financial Officer to expend the not-to-exceed amount of \$3,850,000 from Cooperation Agreement funds for the payment of the Settlement Payment, closing costs, and costs of demolition. The Mayor executed the Settlement Agreement soon thereafter (see Attachment 2, Settlement Agreement and Release). Also on April 10, 2012, the City Council, in its capacity as the Board of the Successor Agency, approved an updated version of the Initial Draft of the First Recognized Obligation Schedule ("ROPS 1"), reflecting payments toward enforceable obligations from January 1, 2012 through June 30, 2012. The Settlement Payment, closing costs, and costs of demolition are included as a project/debt obligation within ROPS 1 (see Form A, page 9 of 73, item 6). The total amount of \$3,850,000 would be funded as follows: \$2,550,000 (acquisition, closing and demolition) from FY20 12 20% Set-Aside Low and Moderate Income Housing Bond Funds, and \$1,300,000 (legal settlement) from FY2012 Unrestricted 80% Tax Increment Funds of the Centre City Redevelopment Project. ROPS 1 was also approved conditionally by the Oversight Board on April 25, 2012.

The City and Successor Agency received a letter dated April 20, 2012, from the California State Controller (CSC) demanding the immediate reversal of all asset transfers from the Former RDA to the City that occurred after January 1, 2011. As the Cooperation Agreement was approved and entered into in February 2011, the CSC order to reverse asset transfers adds uncertainty to the use of those funds by the City to proceed with the Settlement Payment and acquisition of the Parcel. Therefore, it is now more appropriate for the Successor Agency to take the lead in moving forward with the Settlement Agreement actions.

Testimony in favor of Item 4 by Wendy DeWitt.

BOARD ACTION: Action Time: 10:00 a.m.

MOTION BY ANDRA DONOVAN TO APPROVE RESOLUTION WITH A RECOGNITION OF THE FIRST AMENDMENT AS PART OF THE SETTLEMENT. Second by Bonnie Ann Dowd.

Passed by the following vote:

Yea: Bonnie Ann Dowd, Andra Donovan, Maureen Stapleton, Mark Nelson, Ron Roberts, Peter Q. Davis

Nay: (None);

Recused: (None);

Not Present: Mark Nelson.

ADJOURNMENT:

The meeting was adjourned by Vice-Chair Peter Q. Davis at 10:00 a.m.