



THE CITY OF SAN DIEGO

DATE ISSUED: July 17, 2012 REPORT NO. 12-097

ATTENTION: Honorable Chair and Members of the City Council
Docket of July 23, 2012

SUBJECT: Reversal of Prior Transfer of Real Property Assets and Other Assets
and Obligations between the former Redevelopment Agency of the
City of San Diego ("former Agency") and the City of San Diego
("City")

REFERENCE: None

STAFF CONTACT: David Graham, Office of the Mayor
(619) 236-6980

**The second requested action below is being presented to the City Council in its capacity as the board of the local redevelopment successor agency, officially known as the City of San Diego, solely in its capacity as the designated successor agency to the Redevelopment Agency of the City of San Diego, a former public body, corporate and politic ("Successor Agency").

REQUESTED ACTIONS

That the City Council:

1. Authorize the execution and recording of conveyance instruments to accomplish the reversal of the transfer of real property assets and other assets that occurred between the former Agency and City in March 2011.

That the Successor Agency:

1. Authorize the execution and recording of conveyance instruments to accomplish the reversal of the transfer of real property assets and other assets that occurred between the former Agency and City in March 2011.

STAFF RECOMMENDATION

Approve the requested actions.

BACKGROUND

In March 2011, the former Agency transferred all property rights from the former Agency to the City for those real property assets listed in Attachment 1 to this report, along with other former Agency assets including payments from evidences of indebtedness, assignments of rents and leases, rents, leases, promissory notes, deeds of trusts, security instruments and agreements and other accounts receivable. At the same time, the former Agency recorded deeds of trust in favor of the City for those properties listed in Attachment 2, as security for the former Agency's repayment of certain debts owed to the City. The action was taken in light of discussions at that time by the State Legislature and the Governor to dissolve redevelopment agencies throughout California, which



eventually occurred through the passage of AB x1 26 ("AB 26") in June 2011 and the State Supreme Court's subsequent ruling upholding the legislation in December 2011. Both the former Agency and City approved the transfers through resolutions adopted on March 14, 2011.

The transfer was intended to facilitate the City's ability to appropriately complete redevelopment projects and other related activities, to pay previously incurred indebtedness, to enforce existing covenants, contracts or other obligations, and to allow for the City's use of the real property assets and other assets for municipal and other public purposes to benefit the various redevelopment project areas in accordance with or consistent with the corresponding redevelopment plans, including facilitating the installation of public infrastructure and facilities and increasing, improving and preserving the community's supply of low and moderate income housing.

DISCUSSION

The California State Controller recently ordered cities and other agencies that received assets from a redevelopment agency after January 1, 2011, to immediately reverse the transfer and return the applicable assets to the successor agency of the relevant redevelopment agency, subject to limited exceptions. The order letter, dated April 20, 2012, indicates that the Controller will specifically review and audit cities, counties and public agencies to ensure that all applicable asset transfers have been reversed.

To comply with the order, the City must transfer the properties and other assets noted above to the Successor Agency. Two additional properties, whose titles were acquired by the City over the past six months as obligations under three-party agreements including the City and former Agency, are also included. The properties are: 808 West Cedar Street (Monarch School) and 1343-45 Market Street (LaFornara). The newly transferred properties and other assets will be managed by the Successor Agency in accordance with the provisions of AB 26 and the recently-approved AB 1484: Redevelopment Dissolution/Unwind Trailer Bill.

Transfer of Real Property Assets and Other Assets

After the original transfer approval in March 2011, the former Agency utilized certain legal instruments to transfer real estate assets, related contracts and agreements, and other assets or to provide a security interest in certain real property assets to the City. The instruments included quitclaim deeds, assignment and assumption agreements, and deeds of trust. To accomplish the reversal of the transfer, assets previously transferred through quitclaim deeds will now be transferred from the City to the Successor Agency through quitclaim deeds (see Attachment No. 4). The City will re-convey the deeds of trusts to the Successor Agency for those assets where deeds of trust were previously recorded by the former Agency in favor of the City (see Attachment No. 5). An assignment and assumption agreement will be executed between the City and Successor Agency to reverse the prior transfer of assets other than real estate (see Attachment No. 6). Particulars of the instruments and execution process are further described in the companion resolutions for this item.

The City Council and Board of the Successor Agency are requested to adopt companion resolutions that authorize the execution and recording of the necessary conveyance instruments by the City and Successor Agency to accomplish the reversal of the transfer of real property assets and other assets that occurred between the former Agency and City in March 2011.

FISCAL CONSIDERATIONS

The Successor Agency will be responsible for paying any costs associated with the transfer of assets from the City to the Successor Agency utilizing the reserve funds of the former Agency. Section 6 of AB 1484 (amended Health and Safety Code Section 34171(d)(1)(F)) specifies, in part, that the costs of maintaining assets prior to disposition are defined as enforceable obligations. Maintenance costs associated with the assets transferred to the Successor Agency are included in the approved Second Recognized Obligation Payment Schedule (“ROPS”), reflecting payments toward enforceable obligations from July 1, 2012 through December 31, 2012, and will be included in all subsequent ROPS covering future time periods that will be submitted for approval by the Board of the Successor Agency and the Oversight Board for the City of San Diego Redevelopment Successor Agency in the future.

PREVIOUS COUNCIL, REDEVELOPMENT AGENCY and/or COMMITTEE ACTION

The City Council in its role as Successor Agency Board has directed that Successor Agency items be considered by the full City Council. There is no committee action associated with this action.

ENVIRONMENTAL IMPACTS

This activity is not a “project” as defined in State CEQA Guidelines Section 15378(b)(5), which covers organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. As such, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS

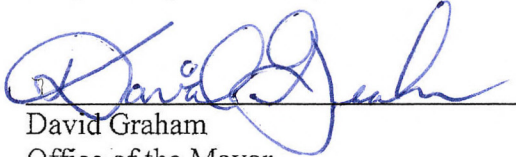
None relating to these actions.

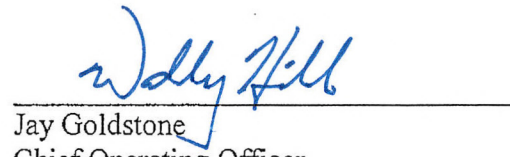
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KEY STAKEHOLDERS AND PROJECTED IMPACTS

Key stakeholders are the communities of Barrio Logan, Centre City, City Heights, Clairemont Mesa, College Area, Eastern Area, Encanto, Linda Vista, Midway/Pacific Highway Corridor, Mission Valley, Navajo, North Park, Old Town, Peninsula, San Ysidro, Southeastern and Uptown.

Respectfully submitted,


David Graham
Office of the Mayor


Jay Goldstone
Chief Operating Officer

Attachments:

- Attachment No. 1 – Schedule of Real Property Assets
- Attachment No. 2 – Schedule of Deeds of Trust Properties
- Attachment No. 3 – Letter from California State Controller (dated April 20, 2012)
- Attachment No. 4 – Form of Quitclaim Deed
- Attachment No. 5 – Form of Reconveyance of Deed of Trust
- Attachment No. 6 – Form of Assignment and Assumption Agreement