

# Agenda Report

March 9, 2011

**TO:** Honorable Mayor and City Council  
Pasadena Community Development Commission

**FROM:** Office of the City Manager/Chief Executive Officer

**SUBJECT:** **JOINT ACTION: AUTHORIZE THE CITY MANAGER/CHIEF EXECUTIVE OFFICER TO TAKE CERTAIN ACTIONS RELATED TO THE TRANSFER OF REAL PROPERTY INTERESTS, CASH AND OTHER ASSETS OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION TO THE CITY OF PASADENA**

## **RECOMMENDATION:**

It is recommended that the City Council/Pasadena Community Development Commission (PCDC) take the following actions:

1. Find that the transfer of any and all of PCDC's real property interests, cash and other assets to the City of Pasadena, as proposed herein, is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3);
2. Authorize the City Manager/Chief Executive Officer to take any and all actions necessary to transfer all real property interests, cash and other assets of the PCDC to the City of Pasadena;
3. Authorize the City Manager to accept all deeds transferring real property interests from the PCDC, and that such real property is accepted by the City for the purposes of furthering the goals and objectives established in the Redevelopment Plans and for such other municipal purposes as may be deemed necessary and appropriate;
4. Adopt a Resolution approving certain actions related to the transfer of real property interests, cash and other assets of the PCDC to the City of Pasadena; and;
5. Authorize the City Manager/Chief Executive Officer to take any and all actions necessary to transfer back to the PCDC all or a portion thereof former real property interests, cash and other assets transferred to the City of Pasadena as a result of the actions set forth herein.

## **BACKGROUND:**

On January 10, 2011 as part of his budget proposal, Governor Brown proposed to abolish local redevelopment agencies by July 1, 2011. On January 18, 2011 the City Council and the PCDC authorized a series of promissory notes between the City and PCDC to more formally document advances made between the two agencies. This action was intended to ensure that if the Governor's proposal was enacted, prior advances from the City to the PCDC would be properly considered binding obligations required to be repaid.

On March 3, 2011 the Legislative Budget Conference Committee voted, along party lines, to advance the Governor's proposal as set forth in language drafted by the State Department of Finance. The general outline of the draft legislation is as follows:

- Commencing with the effective date of the bill (the day the Governor signs the bill), virtually all redevelopment activity would be suspended except paying existing obligations.
- Redevelopment agencies would continue to operate under restrictions until July 1, 2011 when all agencies would be abolished.
- Effective July 1, successor agencies would be created and take over the assets and obligation of the former redevelopment agencies.
- Successor Agencies would be charged with winding down the operations of the former redevelopment agencies, under the direction of an oversight board, including the disposition of assets.
- County auditor-controllers would essentially become the treasurers for all the redevelopment agencies in the county.
- In 2011-12, \$1.7 billion would be paid from what was formerly tax increment revenues to the State for trial court and Medi-Cal costs. A small amount of funding is to be available for distribution to cities and counties.
- In subsequent fiscal years, what was formerly tax increment will be distributed to taxing agencies after first paying amounts due on existing obligations under current payment schedules.

Should legislation of this type be enacted, the impact will be devastating; cities would lose a vital resource for creating jobs, building affordable housing, spurring private development and eliminating blight. Moreover, as proposed the current assets of redevelopment agencies would be sold off with the proceeds transferred out of the communities which initially paid for them through tax increment.

The California Redevelopment Association (CRA) believes the proposed legislation to be unconstitutional, particularly in light of Proposition 22. Nevertheless, given the state's dire budget situation, the legislature is likely to act on the proposal, possibly by the end of this week. Moreover, the bill is drafted as urgency legislation, meaning that immediately upon passage and execution by the Governor it becomes law and as such the City/PCDC would be prohibited from taking any further actions aimed at protecting Pasadena's redevelopment assets from the state.

Compromise is still possible and as of this writing, the CRA and the League of California Cities are negotiating with the Governor's Office on a solution that would shift redevelopment funds to school districts in exchange for extending redevelopment plan effectiveness dates, thereby preserving redevelopment agencies. Staff supports this form of compromise; however, taking additional actions outlined herein to further safeguard key community assets is recommended.

As indicated above, the current legislative language directs Successor Agencies to dispose of assets and properties of the former redevelopment agencies in a manner aimed at maximizing value. Proceeds from the sale of assets will be transferred to the county auditor-controller for distribution as property tax proceeds.

The PCDC, like all other redevelopment agencies, is responsible for revitalizing deteriorated and blighted areas. As part of this mission PCDC has routinely acquired property in order that it might be developed for either public purposes or in partnership with the private sector. For example, over the course of several years the City acquired a total of twelve individual parcels that make up the properties on which the Heritage Square Senior Affordable Housing Project and related commercial project will be constructed.

In the 1970's the PCDC acquired several residential properties and a former Boys Club near Villa Street and Garfield Avenue, and constructed the Villa-Parke Community Center and associated improvements. The construction was financed by a lease revenue bond secured by annual lease payments from the City to PCDC.

Fire Station 36 located at 1140 N. Fair Oaks Avenue was part of a development agreement entered into between PCDC and a private developer in September, 1986. Under the terms of the agreement, the PCDC conveyed title to several properties to the Developer who agreed to develop the Fair Oaks Business Park and to grant a long term lease to the PCDC for construction of a fire station. The term of the ground lease is through November of 2017 at which time title will transfer to the PCDC.

Over the last few days, staff has been researching numerous deeds and legal descriptions to identify all properties held by PCDC. The research indicates that approximately 50 separate legal parcels are held by the PCDC; however, as noted above in the case of Heritage Square, a number of these parcels relate to what would be considered single projects, as outlined in Attachment A. The estimated combined value of these holdings is in excess of \$100 million. Staff has prepared new deeds that will memorialize the transfer of these real property and assets to City of Pasadena.

In addition to transferring title on property, staff is recommending the City Council/PCDC transfer cash and investments held by the PCDC to the City. As of February 28, 2011 the PCDC held \$9.97 million in its various capital and debt service funds. In addition another \$5.4 million was available in the Low and Moderate Income Housing Trust Fund, held by PCDC which pursuant to Pasadena Municipal Code Chapter 2.10.080 serves as the City's Housing Authority. The funds transferred will be kept in special

funds designated for “redevelopment activities” and “Housing production purposes only” and used solely for these respective purposes in a manner fully consistent with past practice.

Because the potential for compromise exists as well as the possibility that if enacted, the legislation may ultimately be invalidated as being unconstitutional, the above stated staff recommendations include authorization for the City Manager/Chief Executive Officer to transfer back to PCDC those assets impacted by the actions outlined herein.

**COUNCIL POLICY CONSIDERATION:**

The transfer of the real property and other assets, for use by the City for municipal purposes and for ongoing efforts to redevelop, revitalize and/or eliminate blight in the City's redevelopment project areas and with appropriate findings areas outside of project areas is consistent with the City Council's strategic plan goal to maintain fiscal responsibility and stability and improve, maintain and enhance public facilities and infrastructure.

**ENVIRONMENTAL ANALYSIS:**

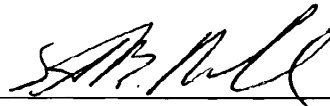
This action has been determined to be exempt from the California Environmental Quality Act (CEQA) per Section 15061 (b) (3). The activity is covered under the general rule that CEQA only applies to projects that have a potential for causing a significant effect on the environment. The proposed action is a transfer of title for existing property holdings. There are no changes proposed other than the title transfers.

**FISCAL IMPACT:**

The combined value of property owned by the PCDC has an estimated value in excess of \$100 million. Additionally, there is approximately \$15.4 in various PCDC capital and debt service funds as well as the Low and Moderate Housing Trust Fund. Transferring these assets to the City will help ensure that they remain owned and controlled by the citizens of Pasadena and are not liquidated to address the state's budget shortfall.

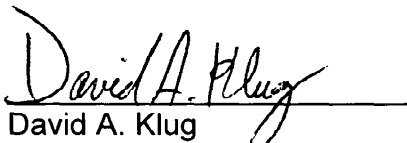
The actions proposed herein are not intended or expected to impact any bonds or other financings previously undertaken by the City or PCDC. Accordingly, the attached resolution, developed with input from Bond Counsel, includes a specific provision addressing this issue.

Respectfully submitted,



Steve Mermell  
Assistant City Manager

Prepared by:



David A. Klug  
Redevelopment Manager

Concurred by:



Andrew Green  
Director of Finance\Commission Treasurer

Approved by:



Michael J. Beck  
City Manager\Chief Executive Officer

**ATTACHMENT A**

**PROPERTY INVENTORY TO BE TRANSFERRED TO CITY**

<b>Description</b>	<b>Primary Address</b>	<b>APN</b>
Paseo Colorado Lease	155 & 371 E. Green Street, 234 E. Colorado Boulevard	5722-036-926, 5722-025-915, 916 & 917
Convention Center Lease	300 & 350 E. Green Street, 128 S. Marengo Avenue	5722-027-910, 911 & 912
Los Robles Parking Garage Lease	400 E. Green Street	5722-030-904
Plaza Las Fuentes Lease	399 E. Union Street, 99, 111, 135, 191 N. Los Robles Avenue	5723-017-911 to 915
Armory Center for the Arts Lease	145 N. Raymond Avenue	5723-021-901
Heritage Square	710-790 N. Fair Oaks Avenue, 19-25 E. Orange Grove Boulevard	5725-002-903 to 914
Street Right of Way Adjacent to Throop Lumber	30 E. Villa Street	5725-003-903
Condominium	736 N. Garfield Avenue, #204	5725-028-900
Villa-Parke & Villa Well	397, 496-574 N. Garfield Avenue, 325-363 E. Villa Street	5725-032-903, 5725-030-903 to 014, 916
Armory Center for the Arts License	733 N. Fair Oaks Avenue	5726-003-900
Robinson Park	1081 N. Fair Oaks Avenue	5728-005-909 (part)
Jackie Robinson Center	1020 N. Fair Oaks Avenue	5728-006-912
Fire Station 36 (tenant interest)	1140 N. Fair Oaks Avenue	5728-007-036
Vacant Lot	136-138 W. Howard Street	5728-014-900
Washington Park Parking Lot	734 E. Washington Boulevard	5730-029-902
Vacant Lot North of Washington Theater	1383 Prime Court	5848-028-900
Portion of Defenders Park; Colorado Bridge	550 W. Colorado Boulevard	5714-016-901
Singer Park	280 W. California Boulevard	5719-001-900
Orange Grove Gardens	252 E. Orange Grove Boulevard	5725-019-900
Glorita Pump in Kings Village	40 W. Claremont Street	5728-023-911

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION APPROVING CERTAIN ACTIONS RELATED TO THE TRANSFER OF REAL PROPERTY, CASH, AND OTHER ASSETS OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION TO THE CITY OF PASADENA**

**WHEREAS**, the Community Development Commission (“Commission”) hereby finds it necessary and appropriate to transfer the real property, cash, and/or other assets of the Commission to the City of Pasadena (“City”) at this time to allow the City to appropriately carry out redevelopment projects and other related activities all in furtherance of the following redevelopment plans; Downtown Redevelopment Plan, Old Pasadena Redevelopment Plan, Orange Grove Redevelopment Plan, Lincoln Avenue Redevelopment Plan, Fair Oaks Redevelopment Plan, Villa-Parke Redevelopment Plan, and Lake/Washington Redevelopment Plan (collectively referred to as the “Redevelopment Plans”), and for the purpose of repayment of debt owed to the City for previous loans/advances provided by the City to the Commission to perform work on behalf of the Commission; and

**WHEREAS**, the Commission previously determined that the property acquisitions were consistent with the General Plan because they were consistent with any applicable Specific Plan and the Redevelopment Plans and authorized by the General Plan; and

**WHEREAS**, the Commission hereby finds and determines that the transfer of said real property, cash, and/or other assets of the Commission to the City is consistent with applicable redevelopment law which allows for the Commission to pay previously incurred indebtedness, to comply with Section 33333.8 of the California Health and Safety Code (for provision of affordable housing) and to enforce existing covenants, contracts or other obligations; and

**WHEREAS**, based on the facts presented to the City, the City has determined that the transfer of said real property, cash and other assets of the Commission to the City is appropriate and necessary at this time to pay previously incurred indebtedness, to comply with Section 33333.8 of the California Health and Safety Code (for provision of affordable housing) and to enforce existing covenants, contracts or other obligations; and

**WHEREAS**, per Section 15301 of the State CEQA Guidelines, the transfer of real property, cash and/or other assets is exempt from environmental review

under CEQA because the transfer will result in a continuation of an existing facility involving no expansion of use and is therefore exempt from environmental review, and any future development for the real property or assets will require separate environmental review; and

**WHEREAS**, the transfer of such real property, cash and/or other assets of the Commission to the City will accomplish the public purposes of implementing the Redevelopment Plans and achieving the goals and purposes of the Redevelopment Plans, sustaining the redevelopment accomplished by the implementation of the Redevelopment Plans, expanding and improving the community's supply of affordable housing, obtaining the benefits for the City of the municipal uses to which the real property and cash will be put, and enforcing the existing covenants, contracts and other obligations arising from said redevelopment projects; and

**WHEREAS**, the transfer of such real property, cash, and/or other assets of the Commission to the City is expressly authorized by the Aid, Assistance and Cooperation provisions of the California Community Redevelopment law (found at Sections 33220 et seq. of the California Health and Safety Code).

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, by the Pasadena Community Development Commission, as follows:

1. The above recitations are true and correct.
2. The Commission hereby APPROVES the transfer of the real property, cash, and/or other assets noted below, to the City for use by the City for municipal purposes and for ongoing efforts to redevelop, revitalize and/or eliminate blight in the Downtown Redevelopment Project Area, the Old Pasadena Redevelopment Project Area, the Orange Grove Redevelopment Project Area, the Lincoln Avenue Redevelopment Project Area, the Fair Oaks Redevelopment Project Area, the Villa-Parke Redevelopment Project Area, and the Lake/Washington Redevelopment Project Area authorized by redevelopment law in effect at the time of approval of the Redevelopment Plans, and/or for the purpose of repayment of debt owed to the City by the Commission for previously approved loans/advances from the City to the Commission for operation of said Commission.
3. A list of the real property, cash, and/or other assets to be transferred from the Commission to the City includes all of those set forth on Attachment A along with any and all other real property, cash, and/or other assets in which the Pasadena Community Development Commission holds any right title and/or interest.



4. The Treasurer is hereby authorized to appropriately account for transfer of said real property, cash, and/or other assets from the Commission to the City as determined to be appropriate by the Chief Executive Officer, and to make said funds available for retiring Commission indebtedness to the City, carrying out the goals and objectives of the Redevelopment Plans, and/or developing or otherwise providing additional affordable housing opportunities within the City of Pasadena.
5. The Commission authorizes the Executive Director to direct and execute any agreements or other documents and to take all actions required to allow for said transfer of real property, cash, and other assets from the Commission to the City, subject to prior approval of the General Counsel.
6. The Commission authorizes the Secretary to execute any and all Deeds to acknowledge the transfer of property ownership from the Pasadena Community Development Commission, upon preparation and subject to prior approval of the General Counsel.
7. Nothing stated herein or in any action authorized hereby shall impair an existing contractual obligation of the City of Pasadena, the Pasadena Community Development Commission or the Pasadena Public Financing Authority (the Authority") to any third party. The City and the Commission do hereby acknowledge and agree that no transfer of property or any interest in property between them shall reduce, terminate or otherwise impair any obligation to make rental payments, installment payments or other payment obligations to the owners of any bonds, notes or certificates of participation or to any other creditors of the City, the Commission or the Authority. Notwithstanding any such transfers of property or any interests in property, the City, the Commission and the Authority shall provide such assurances of performance and payment under any bond resolution, bond indenture, trust agreement, lease, sublease, installment purchase contract, reimbursement agreement, interest rate swap agreement or similar contract or agreement (together, the "Existing Debt Agreements") as may be reasonably requested in order to better assure and confirm to owners of any bonds, notes or certificates of participation or to any other creditors of the City, the Commission or the Authority of the rights and benefits provided by any Existing Debt Agreements.

ADOPTED by the Pasadena Community Development Commission at  
a meeting held on the \_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:

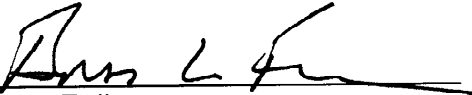
ABSENT:

ABSTAIN:

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MARK JOMSKY  
Secretary

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Brad L. Fuller  
Assistant General Counsel

RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA APPROVING CERTAIN ACTIONS RELATED TO THE TRANSFER OF REAL PROPERTY, CASH, AND OTHER ASSETS OF THE PASADENA COMMUNITY DEVELOPMENT COMMISSION TO THE CITY OF PASADENA**

**WHEREAS**, the City Council of the City of Pasadena (“City Council”) hereby finds it necessary and appropriate to transfer real property, cash, and other assets of the Commission to the City of Pasadena (“City”) at this time to allow the City to appropriately carry out redevelopment projects and other related activities all in furtherance of the following redevelopment plans; Downtown Redevelopment Plan, Old Pasadena Redevelopment Plan, Orange Grove Redevelopment Plan, Lincoln Avenue Redevelopment Plan, Fair Oaks Redevelopment Plan, Villa-Parke Redevelopment Plan, and Lake/Washington Redevelopment Plan (collectively referred to as the “Redevelopment Plans”), and for the purpose of repayment of debt owed to the City for previous loans/advances provided by the City to the Commission to perform work on behalf of the Commission; and

**WHEREAS**, the Commission previously determined that the property acquisitions were consistent with the General Plan because they were consistent with any applicable Specific Plan and the Redevelopment Plans and authorized by the General Plan; and

**WHEREAS**, the City Council hereby finds and determines that the transfer of said real property, cash, and other assets of the Commission to the City is consistent with applicable redevelopment law which allows for the Commission to pay previously incurred indebtedness, to comply with Section 33333.8 of the California Health and Safety Code (for provision of affordable housing) and to enforce existing covenants, contracts or other obligations; and

**WHEREAS**, based on the facts presented to the City Council, the City Council has determined that the transfer of said real property, cash and other assets of the Commission to the City is appropriate and necessary at this time to pay previously incurred indebtedness, to comply with Section 33333.8 of the California Health and Safety Code (for provision of affordable housing) and to enforce existing covenants, contracts and/or other obligations; and

**WHEREAS**, per Section 15301 of the State CEQA Guidelines, the transfer of real property, cash and/or other assets is exempt from environmental review under CEQA because the transfer will result in a continuation of an existing

facility involving no expansion of use and is therefore exempt from environmental review, and any future development for the real property, cash and/or other assets will require separate environmental review; and

**WHEREAS**, the transfer of such real property, cash, and/or other assets of the Commission to the City will accomplish the public purposes of implementing the Redevelopment Project Plans and achieving the goals and purposes of the Redevelopment Plans, sustaining the redevelopment accomplished by the implementation of the Redevelopment Plans, expanding and improving the community's supply of affordable housing, obtaining the benefits for the City of the municipal uses to which the real property and cash will be put, and enforcing the existing covenants, contracts and other obligations arising from said redevelopment projects; and

**WHEREAS**, the transfer of such real property, cash and/or other assets of the Commission to the City is expressly authorized by the Aid, Assistance and Cooperation provisions of the California Community Redevelopment law (found at Sections 33220 et seq. of the California Health and Safety Code).

**NOW, THEREFORE, BE IT HEREBY RESOLVED**, by the City Council of the City of Pasadena, as follows:

1. The above recitations are true and correct.
2. The City Council hereby APPROVES and accepts the transfer of the real property, cash, and/or other assets noted below, for use by the City for municipal purposes and for ongoing efforts to redevelop, revitalize and/or eliminate blight in the Downtown Redevelopment Project Area, the Old Pasadena Redevelopment Project Area, the Orange Grove Redevelopment Project Area, the Lincoln Avenue Redevelopment Project Area, the Fair Oaks Redevelopment Project Area, the Villa-Parke Redevelopment Project Area, and the Lake/Washington Redevelopment Project Area authorized by redevelopment law in effect at the time of approval of the Redevelopment Plans, and/or for the purpose of repayment of debt owed to the City by the Commission for previously approved loans/advances from the City to the Commission for operation of said Commission.
3. A list of the real property, cash, and/or other assets to be transferred from the Commission to the City includes all of those set forth on Attachment A along with any and all other real property, cash, and/or other assets in which the Pasadena Community Development Commission holds any right title and/or interest.

4. The Finance Director is hereby authorized to appropriately account for transfer of said real property, cash, and/or other assets from the Commission to the City and to accept the transfer of the balance of funds as determined to be appropriate by the City Manager, and to make said funds available for retiring Commission indebtedness to the City, carrying out the goals and objectives of the Redevelopment Plans, and developing and/or otherwise providing additional affordable housing opportunities within the City of Pasadena.
5. The City Council authorizes the City Manager to direct and execute any agreements or other documents and to accept any and all deeds and titles and to take all actions required to allow for said transfer of real property, cash, and/or other assets from the Commission, subject to prior approval of the City Attorney.
6. The City Council authorizes the City Clerk to execute the Certificates of Acceptance of the Deeds to acknowledge the transfer of property ownership from the Pasadena Community Development Commission, upon preparation and subject to prior approval of the City Attorney.
7. Nothing stated herein or in any action authorized hereby shall impair an existing contractual obligation of the City of Pasadena, the Pasadena Community Development Commission or the Pasadena Public Financing Authority (the Authority") to any third party. The City and the Commission do hereby acknowledge and agree that no transfer of property or any interest in property between them shall reduce, terminate or otherwise impair any obligation to make rental payments, installment payments or other payment obligations to the owners of any bonds, notes or certificates of participation or to any other creditors of the City, the Commission or the Authority. Notwithstanding any such transfers of property or any interests in property, the City, the Commission and the Authority shall provide such assurances of performance and payment under any bond resolution, bond indenture, trust agreement, lease, sublease, installment purchase contract, reimbursement agreement, interest rate swap agreement or similar contract or agreement (together, the "Existing Debt Agreements") as may be reasonably requested in order to better assure and confirm to owners of any bonds, notes or certificates of participation or to any other creditors of the City, the Commission or the Authority of the rights and benefits provided by any Existing Debt Agreements.

ADOPTED by the City Council of the City of Pasadena at a meeting  
held on the \_\_\_\_ day of \_\_\_\_\_, 2011, by the following vote:

AYES:

NOES:


ABSENT:

ABSTAIN:

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MARK JOMSKY  
City Clerk

APPROVED AS TO FORM:



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Brad L. Fuller  
Assistant City Attorney