

City of Palm Springs Redevelopment (RDA)

City Review of Independent Legal
Analysis of Compliance with RDA
State Dissolution Act

Council Initiated Redevelopment (RDA) Property Review

- Presentation Contents
 - Purpose of Redevelopment (RDA)
 - Local Examples
 - Council Initiated RDA Independent Report
 - Recommendations
 - Review of Report Recommendations
 - Staff Process on RDA Properties
 - Greater Transparency Policy
 - Exceeding State Requirements

Redevelopment Authority (RDA)

What is its purpose?

- Under State of California Law, the City established the Redevelopment Agency (RDA) in 1972
- Purpose of RDA is to address conditions of physical and economic blight – encouraging investment by the private sector to strengthen the physical, social, and economic ties between various land uses.
- Main RDA tools are short-term incentives such as land, tax rebates or other incentives to maximize long-term taxes and revenue streams for cities, counties, schools, and colleges.

RDA Value to Cities: Underlying Principle

- The City does not earn money on land until it is sold to a private owner. When it sells land, it then becomes the “landlord” by way of collecting taxes.
- “Maximizing value” from land requires that the City look to buyers who propose projects that will produce long-term tax benefits (*e.g. adjacent property owners, or developers who can assemble multiple parcels of land*).

Solutions to Blighted Areas



Creating Economic Development: From Parking Lots...



Creating Economic Development: Proposed Dolce/Hotel Resort



Examples of Local RDA Projects

- V.I.P. Motors
 - BMW, Mercedes, Hyundai, Infiniti
- The Springs Shopping Center
 - Home Depot, other retail & restaurants
- The River
 - Theater, restaurants, retail



V.I.P. Motors

Return on Investment to Taxpayers

RDA Short-Term Incentive Value

- \$2,900,000
- Land Swap

Maximized Public Tax Value

- Prior Annual Revenue
\$0
- Annual Revenue After Project
\$1,900,000
- Long-Term Gain – 20 year
Projection
\$39,000,000

(Tax Revenue for City of Palm Springs,
College of the Desert, Schools, County,
etc.)

The Springs Shopping Center

Return on Investment to Taxpayers

RDA Short-Term Incentive Value

- Free land
- \$2,785,000

Maximized Public Tax Value

➤ Prior Annual Revenue
\$0

➤ Annual Revenue After Project
\$3,400,000

➤ Long-Term Gain – 20 year projection
\$68,000,000

(Tax Revenue for City of Palm Springs, College of the Desert, Schools, County, etc.)

The Desert Sun

Sunday, October 3, 2015

- **“Palm Springs has been riding high on waves of great economic news”**
- “The city’s downtown, which languished for years with the mostly empty Desert Fashion Plaza complex as an eyesore at its epicenter, is undergoing vast change as the steel girders that will frame its new look stretch to the sky”
- “Tourists – who are visiting the city’s airport, hotels, restaurants and shops in record numbers...”

The River (Rancho Mirage)

RDA Incentive Value

- Sale of land \$4.5 million less than original acquisition cost
- Provided adjacent 5.3 acres of property, including relocation of tenants, etc., at a cost of approx. \$6 million

Annual Tax Revenue Value

- Ongoing sales and property taxes
- Expected 6 years payback net out of pocket investment

Dissolution of RDA

AB 1X 26/June 2011

- City Becomes RDA Successor Agency
 - Mandate from State
 - Dispose of 12 RDA properties ASAP
 - Maximize values
 - Obtain State “Finding of Completion”
 - Prepare a Long Term Property Management Plan for State approval
 - Oversight Board is Created
 - Members include representatives from
 - City/County/School District/College of Desert

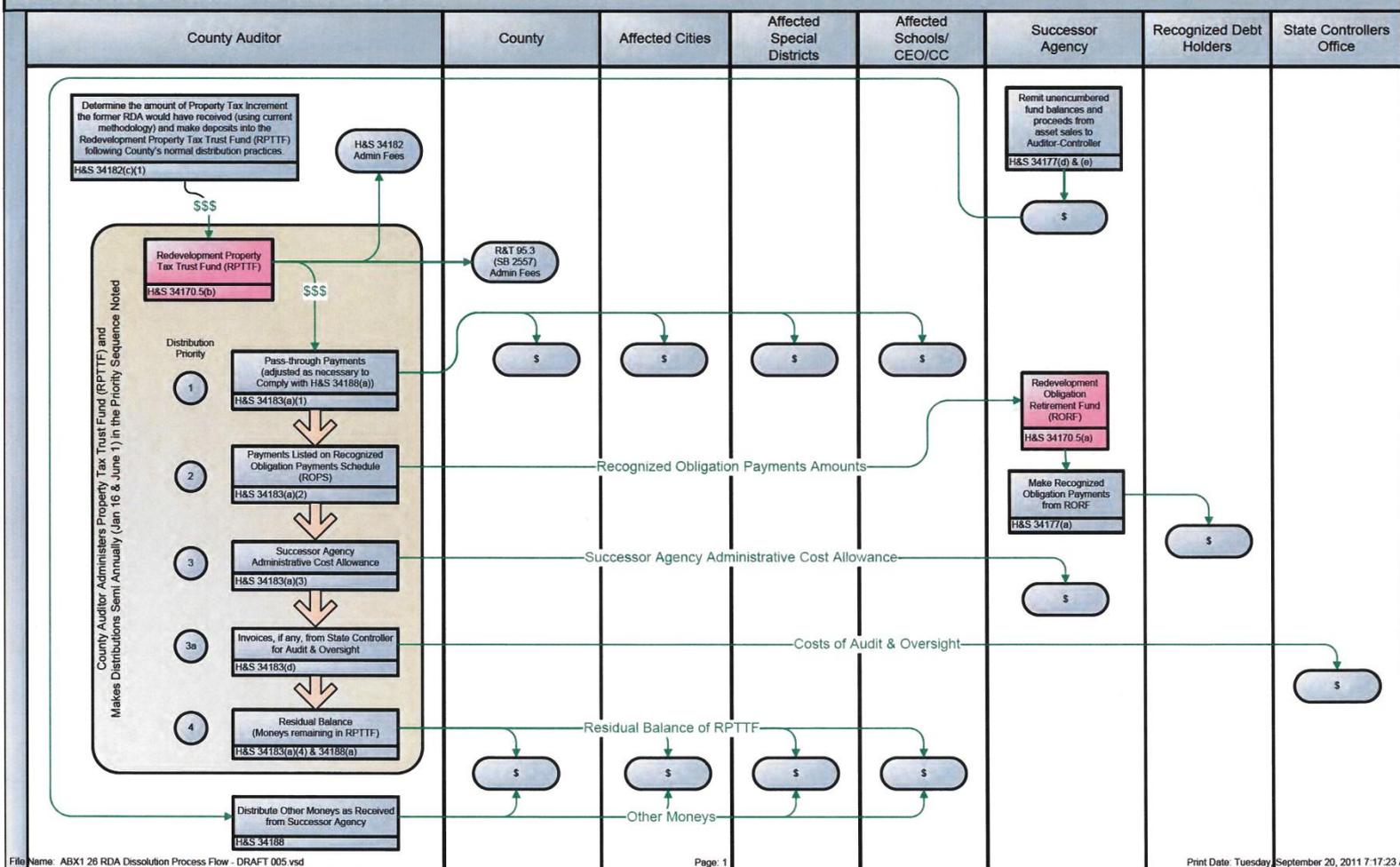
State has final decision making authority on RDA values and sale approvals

Complexities of RDA Dissolution Law

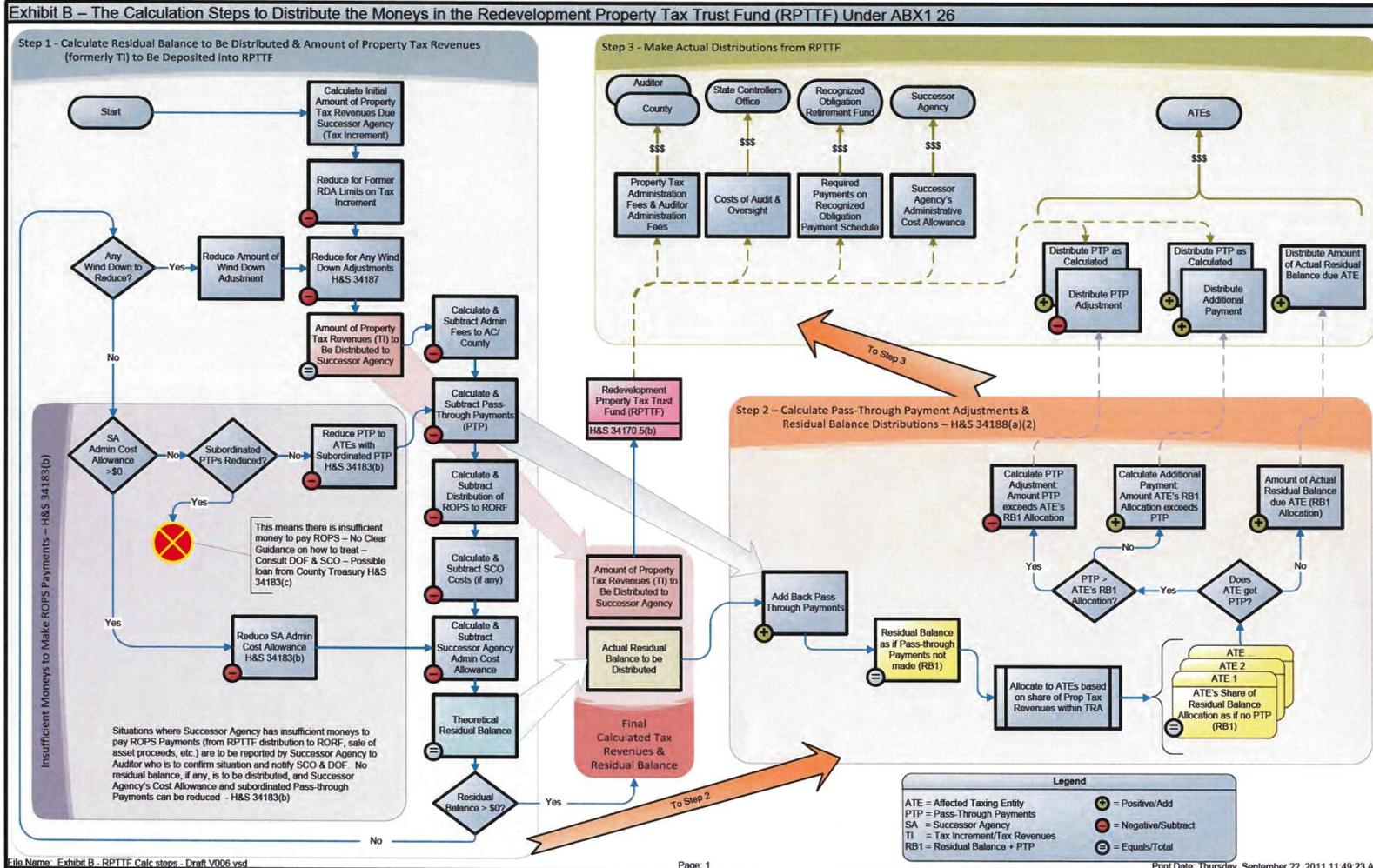
- Assembly Bill 1X 26 (6/28/11)
- Modified by CA Supreme Court legal action (12/29/11)
- Amended by Assembly Bill 1484 (6/27/12)
- Further Amended by Assembly Bill 1585 (9/29/12)
- Further Amended by Senate Bill 341 (10/13/13)
- Further Amended by Assembly Bill 471 (2/18/14)
- Further Amended by Assembly Bill 1963 (7/18/14)
- Further Amended by Assembly Bill 1793 (9/27/14)
- Modified Further by Annual Budget Trailer Bills

RDA Dissolution Regulation Flowchart Complexity

Exhibit A - ABX1 26 RDA Dissolution – Flow of Funds



RDA Dissolution Regulation Flowchart Complexity



Local Governments Who Tried to Clarify RDA Dissolution Rules Through Court Actions (Sample of over 200 Lawsuits Filed)

- City of Bakersfield
- City of Bellflower
- City of Brentwood
- City of Emeryville
- City of Foster
- City of Fresno
- City of Galt
- City of Goleta
- City of Huntington Beach
- City of La Quinta
- City of Murrieta
- City of Orange

- City of Pasadena
- City of Petaluma
- City of Riverside
- San Diego Housing Comm.
- City of San Jose
- City of Santa Ana
- City of Union City
- City of West Covina
- County of San Bernardino
- League of Ca. Cities
- Sonoma County

Types of Local Government RDA Lawsuits Against the State

- Loan payments to cities
- Rejection of transfer of funds
- Withholding of city funds
- Oversight board appointment challenge
- Dispute over land sales
- Determine legitimate redevelopment purposes
- Dispute of denial of Long Range Property Management Plan
- Dispute over \$35 million city loan to former RDA
- True up payment dispute
- Constitutional challenge
- Impairment of contract

Council Initiated RDA Independent Property Review - Purpose

- City Council Commissioned an independent outside legal review to do the following:
 - Evaluate City Staff's implementation of the new and ever-changing RDA law
 - Use final report as a training tool for City Staff and information for City Council
 - Provide transparency to the public through a public report regarding RDA real property and practices

Council Initiated RDA Independent Property Review

- Kane, Ballmer & Berkman was retained to review the 12 RDA properties under the City's Property Management Plan; in accordance with the myriad complex regulatory requirements of:
 - **Assembly Bill 1X 26**
 - **Subsequent California Supreme Court RDA Actions**
 - **6 Senate and Assembly Amended Bills to the RDA Dissolution Act**
 - **Various Legislative Budget Trailer Bills which modified the RDA dissolution process further**

Independent Review Recommendations for 12 RDA Property Dissolutions

Things City Did Well

1. Received State Finding of Completion
2. Preparation of Long Range Management Plan
3. Submission of Plan to Oversight Board
4. Submission of Plan to State
5. Approval from State on Long Term Property Management Plan
6. Purpose for which property was acquired
7. Parcel data requirements
8. Estimate of current value – 10 properties
9. Estimates of income
10. Environmental data
11. Description of potential planning objectives
12. History of previous development proposals
13. Identifies use or disposition of properties
14. Properties dedicated to government purposes

Things City Can Improve

1. Agenda “notice” requirement changed from 3 to 10 days for sale of properties
2. Previous estimate of values – 2 props
3. Previous City/Developer agreements – 2 props

Independent Review Recommendations

1. Ten Day Oversight Board Agenda Notice Required for Sale of RDA Properties (changed from 3 day)

- **City Review/Improvement**

- Dolce Hotel – Convention Center

- Sale has not yet occurred – Oversight Board will re-review with 10 day notice and previous City/Developer Agreements

- Plaza Theater (to be transferred to City)

- Already remedied with Oversight Board 10 day notice at their meeting of September 15, 2015

- Prairie Schooner – Convention Center

- Property sold; City Attorney reviewing

Independent Review Recommendations

2. Previous Estimates of Value

- Prairie Schooner – Convention Center
 - 2011 Appraisal **\$2,525,000** not provided

- **City Review/Improvement**

- In accordance with what staff understood to be the process at the time - information was provided to the Oversight Board and State with a range of **\$2,378,000** to **\$1,402,632** per instructions of:

- State Asset Transfer Assessment Value Forms
 - **\$2,378,893 - \$2,275,000 (Carrying-Value)**
- Long Range Property Management Plan
 - **\$1,402,632 (estimated value per RSG)**

Oversight Board and State Information -Submission of Carrying Values-



City of Palm Springs

Office of the City Clerk
3200 E. Tahquitz Canyon Way • Palm Springs, CA 92262
Tel: (760) 323-8204 • Fax: (760) 322-8332 • TDD: (760) 864-9527 • Web: www.palmspringsca.gov

December 12, 2012

State of California
Department of Finance
915 L Street
Sacramento, CA 95814

Riverside County Auditor-Controller
4080 Lemon Street, 11th floor
Riverside, CA 92502

State of California
Controller's Office
300 Capitol Mall, Suite 1850
Sacramento California 95814

ONTRC
C11059300024776

ONTRC
C11059300024784

ONTRC
C11059300024792

RE: Notice of Actions by the Oversight Board
Palm Springs Community Redevelopment Agency

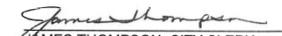
Enclosed are the following documents memorializing actions of the Oversight Board for the Successor Agency to the Palm Springs Community Redevelopment Agency for review pursuant to ABX1 26.

Resolution No. 011 Approving Asset Transfer Assessment and Questionnaire.

Additionally, this information has been posted on the Oversight Board's website at <http://www.palmspringsca.gov/index.aspx?page=1148>.

Please contact me should you need additional information or requests at this time.

Respectfully,
CITY OF PALM SPRINGS


JAMES THOMPSON, CITY CLERK
Oversight Board Clerk/Secretary

Enclosures:

Oversight Board Resolution No. 011
City Council Resolution No. 23265

Copy:

John Raymond, Director of Community and Economic Development
Douglas C. Holland, City Attorney
Geoffrey S. Kiehl, City Treasurer
Post Office Box 2743 • Palm Springs, California 92263-2743

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RESOLUTION NO. 011

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE PALM SPRINGS COMMUNITY REDEVELOPMENT AGENCY APPROVING AN ASSET TRANSFER ASSESSMENT AND ASSET TRANSFER QUESTIONNAIRE AND AUTHORIZING ITS SUBMITTAL TO THE STATE CONTROLLER'S OFFICE, AND RATIFYING AND CONFIRMING THE TRANSFER OF CERTAIN REAL PROPERTY FOR CITY GOVERNMENTAL PURPOSES TO THE CITY.

WHEREAS, in accordance with the provisions of the California Health and Safety Code Section 34173, the City Council of the City of Palm Springs, a public body, corporate and politic, has been designated and has accepted such designation of Successor Agency ("Successor") to the Community Redevelopment Agency of the City of Palm Springs to carry out the purposes of and exercise the powers granted to Successor Agencies in accordance with Assembly Bill X1 26 (ABX1 26), Section 1.85 of Division 24 of the Health and Safety Code (the "Dissolution Act"); and

WHEREAS, the Oversight Board, in accordance with the provisions of the California Health and Safety Code Section 37179 (a), has been formed to carry out the purposes and exercise the powers granted to Oversight Boards in accordance with Assembly Bill X1 26 (ABX1 26), Section 1.85 of Division 24 of the Health and Safety Code; and

WHEREAS, on March 16, 2011, the Community Redevelopment Agency and the City of Palm Springs approved the transfer of all known real property assets then owned by the Agency to the City; and

WHEREAS, the Dissolution Act requires the preparation and submittal to the State Controller's Office of an Asset Transfer Assessment prepared by the Successor Agency, showing the assets that were owned by the Agency and transferred to the Successor Agency upon the dissolution on February 1, 2012; and

WHEREAS, the State Controller ordered any transfers of properties undertaken after January 1, 2011 to be "unwound" and the properties returned to the Successor Agency; and

WHEREAS, it is the City's position and the Successor Agency's position that all of the properties described above are in the hands of the City, not the Successor Agency because of the March 16, 2011 transfer; and

WHEREAS, AB 1484 suspends the land disposition process described in the Dissolution Act, and provides certain flexibility and local benefits in connection with property disposition, including Section 34181(a), which allows the Oversight Board to transfer governmental purpose property to the appropriate public entity; and

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Oversight Board and State Information

-Asset Carrying Value Data-

STATE CONTROLLER'S OFFICE
ASSET TRANSFER ASSESSMENT
ASSEMBLY BILL X1 26

FORMER REDEVELOPMENT AGENCY NAME Community Redevelopment Agency of the City of Palm Springs
SUCCESSOR AGENCY City of Palm Springs
CONTACT NAME John Raymond PHONE 760-323-8228 TITLE Director of Community and Economic Development

11-DIGIT ID # 95-6000757
DATE PREPARED 10-May-12
E-MAIL ADDRESS john_raymond@palmspringsca.gov

A ASSET DESCRIPTION	B RDA CARRYING VALUE AS OF		C IF THE ASSET WAS TRANSFERRED TO A CITY, COUNTY, OR OTHER PUBLIC AGENCY BETWEEN JANUARY 1, 2011 AND JANUARY 31, 2012 (EXCLUDE HOUSING ASSETS):		D WAS THE ASSET CONTRACTUALLY COMMITTED OR ENCUMBERED TO A THIRD PARTY AFTER JUNE 29, 2011?		E WAS THE TRANSFER REVERSED?
	DECEMBER 31, 2010	JANUARY 31, 2012	TRANSFER DATE	PUBLIC AGENCY	YES/NO	IF YES, DATE	YES/NO
Property to subleasehold (Land)	7,000,000	0	3/16/2011	City of Palm Springs	no		no
Cork n Bottle (Land held for resale)	619,125	0	3/16/2011	City of Palm Springs	no		no
Prairie Schooner Parcel (Land held for resale)	2,378,893	0	3/16/2011	City of Palm Springs	no		no
Plaza Theater (Building)	895,220	0	3/16/2011	City of Palm Springs	no		no
Desert Hotel Casino Property (Land held for resale)	593,871	0	3/16/2011	City of Palm Springs	no		no
McKinney Parcel (Land held for resale)	6,325	0	3/16/2011	City of Palm Springs	no		no
Catholic Church Parking Lot (Land held for resale)	685,000	0	3/16/2011	City of Palm Springs	no		no
Blue Coyote Parking Lot (Land held for resale)	141,500	0	3/16/2011	City of Palm Springs	no		no
Vineyard Parking Lot (Land held for resale)	482,457	0	3/16/2011	City of Palm Springs	no		no
Food Court Parking Lot (Land held for resale)	341,826	0	3/16/2011	City of Palm Springs	no		no
Desert Hotel Property (Land held for resale)	263,026	0	3/16/2011	City of Palm Springs	no		no
Henry Frank Arcade Parking Lot (Land held for resale)	266,673	0	3/16/2011	City of Palm Springs	no		no
Village Green (Land + Buildings)	184,495	0	3/16/2011	City of Palm Springs	no		no
Palm Springs Visitor Center (Land)	1,206,000	0	3/16/2011	City of Palm Springs	no		no
Convention Center Parking Lot (Land)	2,585,890	0	3/16/2011	City of Palm Springs	no		no
Frances Stevens Park (Land)	1,000,000	0	3/16/2011	City of Palm Springs	no		no
Sunrise Park (Land)	3,302,981	0	3/16/2011	City of Palm Springs	no		no
Sweeper/Scrubbers (2)	100,309	0	3/16/2011	City of Palm Springs	no		no
Various Street Improvement Projects	781,880	0	3/16/2011	City of Palm Springs	no		no
Storm Drain Improvement Project	570,666	0	3/16/2011	City of Palm Springs	no		no
Equitec Parcel 1 (Land held for resale)	122,520	0	Written off as of 6/30/11	Property sold 2008	N/A		N/A
Epsteen Parcel 1 (Land held for resale)	-896,450	0	Written off as of 6/30/11	Property sold 2005	N/A		N/A
Patel Parcel 1 (Land held for resale)	70,255	0	Written off as of 6/30/11	Property sold 1997	N/A		N/A
Animal Shelter	943,655	0	3/16/2011	City of Palm Springs	no		no
Downtown Trash Enclosure	387,354	0	3/16/2011	City of Palm Springs	no		no
Foster Leasehold	372,383	0	3/16/2011	City of Palm Springs	no		no
Land for Fire Station	230,000	0	Written off as of 6/30/12	Property sold 2006	N/A		N/A
NW Corner Tahquitz & Sunrise (Land)	2,576,897	0	Written off as of 6/30/12	Property exchanged new property sold 2005	N/A		N/A
Duplicate-Desert Hotel Property	171,401	0	Written off as of 6/30/12	Duplicate of Desert Hotel Property Above	N/A		N/A

Value as of June 30, 2010--do not have data on December 31, 2010

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Oversight Board and State Information -Long Range Management Plan-

LONG-RANGE PROPERTY
MANAGEMENT PLAN

Successor Agency to the
Palm Springs Community
Redevelopment Agency

December 12, 2013



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Successor Agency to the Palm Springs Community Redevelopment Agency
Long-Range Property Management Plan

PRAIRIE SCHOONER PARCEL (PROPERTY 5)

Address: Southeast of E Andreas Rd. & N. Calle El Segundo
APN: 508-055-007, 508-055-008, and 508-055-009
Lot Size: 250,470 sq. ft.
Attachment 1 Parcels: 7 - 9

Acquisition Date: August 10, 1994, according to City records
Value at Time of Purchase: \$2,275,000, according to City records
Property Type (DOF Category): Parking Lot/Structure
Permissible Use (City Proposed): Sale of Property
Current Zoning: CU - Civics Uses District Zone

Estimated Current Value: \$1,402,632
 Based on RSG's comparable sales analysis. The results of the analysis are shown below.

Comparable Sales Analysis and Current Value of Southeast of E Andreas Rd. & N. Calle El Segundo
 Commercial Land, 150,000 - 350,000 SF

Address	City	Property Type	Sale Date	SqFt	Price	Price/SqFt
1 82451 Highway 111	Indio	Commercial Land	10/2/2012	157,687	\$2,500,000	\$ 15.85
2 81550 Jfk Ct	Indio	Commercial Land	10/28/2013	166,399	\$2,050,000	\$ 12.32
3 47800 Washington St	La Quinta	Commercial Land	5/27/2011	169,012	\$1,300,000	\$ 7.69
4 Washington St	Palm Desert	Commercial Land	6/15/2010	267,894	\$1,500,000	\$ 5.60
5 81695 US Hwy 111	Indio	Commercial Land	2/23/2010	170,755	\$ 755,892	\$ 4.43
6 75900 Varner Rd	Palm Desert	Commercial Land	9/21/2011	333,234	\$1,300,000	\$ 3.90
7 Avenue 42 @ Spectrun St	Indio	Commercial Land	10/25/2010	283,140	\$ 999,484	\$ 3.53

Subject: SE of E. Andreas Rd. & N. Calle El Segundo Parking Lot Not Listed 250,470 \$1,402,632 \$ 5.60

Source: CoStar, December 2013
 Note: Estimated value is based on the unweighted and unadjusted median price per square foot for comparable properties.

Advancement of Planning Objectives: Sell for future development.

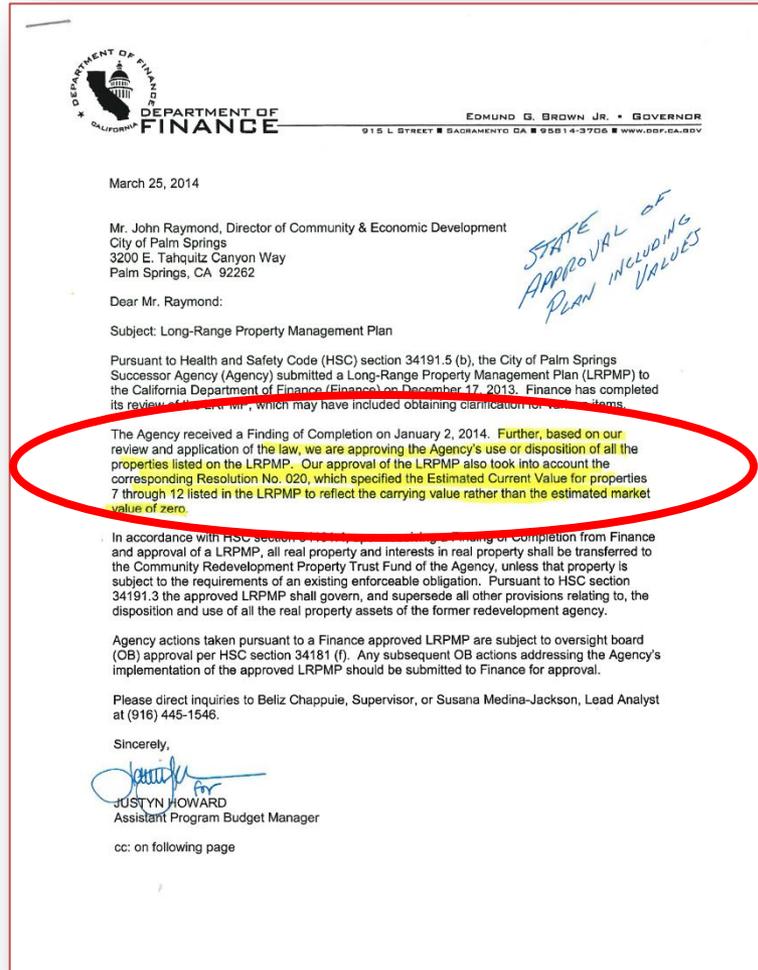
This property was acquired for the purpose of selling to a developer, with whom the Agency had been working to construct a 500-room Hard Rock Hotel. However, the project was abandoned and the Hard Rock Hotel eventually opened elsewhere in the City. A hotel developer has recently sought to purchase this property from the Successor Agency.

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State is Final Decision Maker on Value of RDA Sales

- City Submits Long Range Management Plan to State for Review
- State asked City for additional value information on 6 of the 12 properties (including an appraisal for the Plaza Theater) – **no requests on Prairie Schooner, or Dolce Hotel site**
- Oversight Board approved revised Property Management Plan based on additional information requested by the State

State Approves Revised RDA Property Values for Sale in Long Term Property Management Plan



Independent Review Recommendations

3. Dolce Hotel – Convention Center

- Agreements with City to replace Convention Center Parking were not provided to Oversight Board
- **City Review/Improvement**
 - This transaction has not yet occurred – and will be resubmitted to Oversight Board
 - Land appraised for \$4,675,000 in 2006 (before the real estate economic crash)
 - Land appraised for \$2,773,000 in 2011
 - Land appraised for \$3,400,000 in 2014
 - Revised Long Range Management Plan value approved by State \$2,211,896
 - Final proposed sale price of \$2,211,896 (proceeds to be remitted to the State) and a \$2,675,000 agreement with the City to replace Convention Center parking with a new parking structure - total price \$4,886,896

Why Sell Convention Center Lot? Dolce Hotel Development

RDA Short-Term Incentive Value

- \$2,000,000
- RDA Dissolution Act
 - Sell/Maximize Value
- Existing City Agreements and Entitlements
 - 2007, 2008, 2009, 2011, 2013

Maximized Public Tax Value

- New Parking Structure
- Current Annual Revenue
\$0
- Annual Revenue After Project
\$1,450,000
- Long-Term Gains - 20 Year Revenue Projection
\$29,000,000
(Tax Revenue for City/School District/College of the Desert/County/etc.)

Why Sell Prairie Schooner Lot?

RDA Short-Term Incentive Value

- \$1,000,000
- RDA Dissolution Act
 - Sell/Maximize Value
- **Request for Proposal Process 2005**
 - Existing Development Agreements 2008 & 2011

Maximized Public Tax Revenue

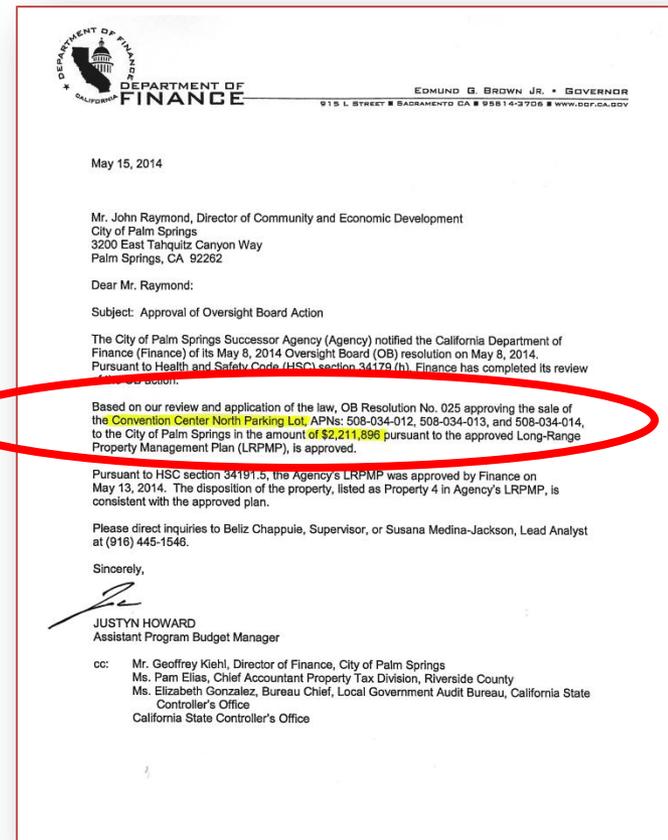
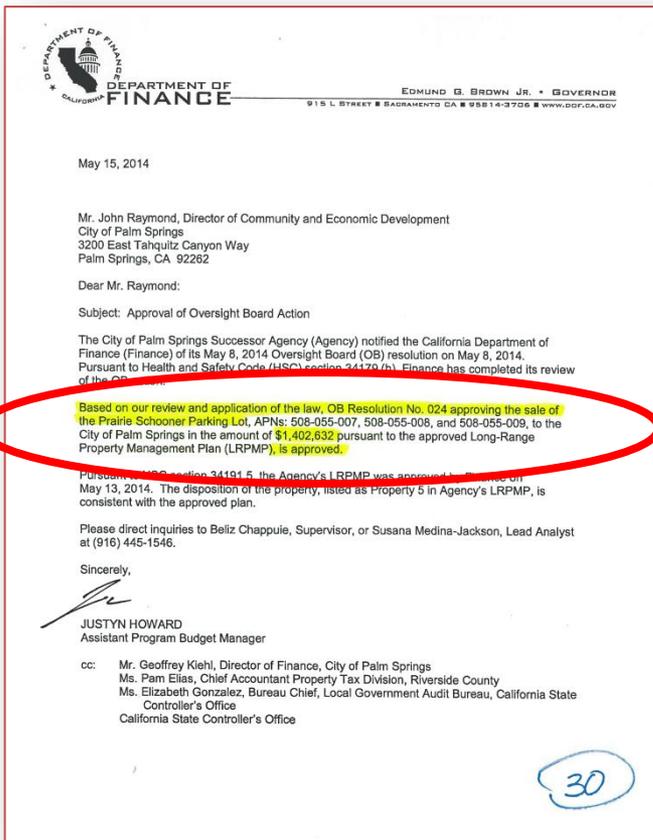
- Current Annual Revenue
\$0
- Annual Revenue After Project
\$820,000
- Long-Term Gains - 20 Year Revenue Projection
\$16,400,000
(Tax Revenue for City/School District/College of the Desert/County/etc.)

State is RDA Property Sale Decision Maker

2nd Approval

Prairie Schooner

Dolce – Convention Center



Greater City Transparency: Exceeding State Requirements

- Public Hearing for all City Council property sale transactions
- Although State does not require land appraisals – City will now acquire appraisals for State RDA parcels
- Oversight Board to reconsider Convention Center Lot (Dolce Hotel) sale

Palm Springs Economic Redevelopment Progress 2008-2015

	<u>Prop Tax</u> <u>2008-2009 vs.</u> <u>2014-2015</u>	<u>Measure J</u> <u>2012-2013 vs.</u> <u>2014-2015</u>	<u>Sales Tax</u> <u>2007-2008 vs.</u> <u>2013-2014</u>	<u>Hotel Tax</u> <u>2008-2009 vs.</u> <u>2014-2015</u>
Base Year	\$19,633,722	\$11,046,045	\$9,138,355	\$12,751,478
Last Year	\$21,294,978	\$12,854,984	\$10,996,552	\$24,487,248
Palm Springs	+8.5%	+16.4%	+20.3%	+92.0%
Coachella Valley			+1.7%	
Riverside County			+7.2%	
Inland Empire			+5.8%	
Southern California			+4.9%	
State of California			+6.3%	