



Legislation Text

File #: 19-221, **Version:** 1

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SUBJECT: Adoption of Resolutions By The City Council Acting In Its Capacity as the Housing Successor Agency Authorizing the Retention of 26 West 18th Street, a Housing Asset Owned By the Former Redevelopment Agency of the City of Merced, Validating the Deposit of Funds Into the Housing Asset Fund From the Sale Of 454 West 18th Street, Which Was A Housing Asset Owned By the Former Redevelopment Agency of the City of Merced and Validating the Deposits of Funds Into the Housing Asset Fund From the Sale of 951 West 7th Street Which Was a Housing Asset Owned By the Former Redevelopment Agency of the City of Merced

REPORT IN BRIEF

Considers adopting Resolutions of the City Council, acting in its capacity as the Housing Successor Agency to approve the Retention of 26 West 18th Street, a Housing Asset Owned by the Former Redevelopment Agency of the City of Merced and validating the deposit of funds into the Housing Asset Fund from the sale of 454 West 18th Street and 951 West 7th Street, both of which were Housing Assets Owned by the Former Redevelopment Agency of the City of Merced.

RECOMMENDATION

City Council - Adopt a motion:

- A. Adopting **Resolution 2019-17** , A Resolution of the City Council of the City of Merced, California, Acting in its capacity as the Housing Successor Agency Authorizing its Retention of a Housing Asset (26 West 18th Street) Owned by the Former Redevelopment Agency of the City of Merced; and,
- B. Adopting **Resolution 2019-18** , A Resolution of the City Council of the City of Merced, California, Acting in its capacity as the Housing Successor Agency validating the deposit of funds from the sale of a Housing Asset (454 West 8th Street) owned by the Former Redevelopment Agency of the City of Merced into the Housing Asset Fund; and,
- C. Adopting **Resolution 2019-19** , A Resolution of the City Council of the City of Merced, California, acting in its capacity as the Housing Successor Agency validating the deposit of funds from the sale of a Housing Asset (951 West 7th Street) owned by the Former Redevelopment Agency of the City of Merced into the Housing Asset Fund.

ALTERNATIVES

1. Approve, as recommended by staff; or,
2. Approve, with modifications; or,
3. Deny the request completely; or,
4. Refer to staff for reconsideration of specific items as requested by Council; or,
5. Continue to a future City Council meeting (date and time to be specified in the motion).

AUTHORITY

Merced Municipal Code Section 200; California Community Redevelopment Law (Health and Safety Code, Part 1.85 - Dissolution of Redevelopment Agencies and Designation of Successor Agencies)

CITY COUNCIL PRIORITIES

Not Applicable.

DISCUSSION

The City of Merced Housing Division is requesting City Council approval to correct discrepancies between State and City housing asset lists of properties owned by the former Redevelopment Agency. This report reviews the process involved in the dissolution of those properties and the discrepancies that need to be corrected.

Background

Prior to 2011, the City had established the Redevelopment Agency of the City of Merced, a public body, corporate and politic, to carry out and exercise the purposes and powers granted to community redevelopment agencies, in accordance with California Community Redevelopment Law (Health and Safety Code (“H&S Code”) section 33000 et seq.).

Assembly Bill X1-26 and other subsequent legislation, collectively known as the “Dissolution Act”, dissolved all redevelopment agencies as of February 1, 2012, and set out procedures for their wind-down.

Dissolution of Commercial Assets Explained

Accordingly, H&S Code Section 34173 established that a city or other local entity that formed the redevelopment agency could elect to serve as a successor agency, to be transferred the authorities, rights, powers, duties, and obligations for the commercial assets and functions formerly held by the dissolved redevelopment agency. It further established that if no local agency elects to serve as the successor agency for those commercial assets, a public body called a “Designated Local Authority” (DLA), with its members appointed by the State Governor, would be formed to receive those authorities, rights, powers, duties, and obligations and serve as the governing board of authority for such.

As such, the City Council took official action declining to become the former Redevelopment Agency’s Successor Agency, and the City of Merced DLA was formed as a result of that action, thereby assuming the former Redevelopment Agency’s commercial functions and obligations.

Dissolution of Housing Assets Explained

Similarly, H&S Code Section 34176(a) established that a city or other local entity that created the redevelopment agency could elect to retain the housing assets and functions previously performed by the Redevelopment Agency, thereby becoming the “Housing Successor.” In the case of the housing assets, unlike the commercial assets discussed above, the City did make that election, and all the rights, powers, duties, obligations, and housing assets of the former agency were transferred

to the City as the new Housing Successor.

During its time of operation, the Redevelopment Agency acquired assets for low- and moderate-income housing purposes, including those identified on Exhibit A (Housing Assets) of this report. In March 2011, prior to its dissolution, the Redevelopment Agency conveyed Housing and other assets to the City of Merced Public Financing and Economic Development Authority (PFEDA), which subsequently transferred the properties identified as housing assets to the City in April 2012.

H&S Code Section 34176(a)(2) further required the City to submit a list of the former Redevelopment Agency's housing assets to the California Department of Finance (DOF), which had the right to review and object to any asset included on the Housing Assets Transfer List. After an initial objection and subsequent meet and confer session, the Department of Finance issued a revised letter in February 2013 indicating it no longer objected to the transfer of the Housing Assets.

The transfer of properties from the Redevelopment Agency to the City was still subject to review by the State Controller's Office, and after that review, the Controller's Office issued a final Asset Transfer Report in July 2015, which acknowledged the prior transfer of certain housing assets to PFEDA and the City.

The Designated Local Authority, the successor agency over commercial assets, was required to undergo specified due diligence reviews of the assets and accounts, one of which examined all housing assets transferred from the former Redevelopment Agency to the City and was submitted to the California Department of Finance for review, in accordance with H&S Code Section 34179.6(c).

As part of the Dissolution Act, an oversight board was formed to oversee the actions of the DLA and direct them to transfer the housing assets to the City (as Housing Successor). The Oversight Board approved the conveyance of the Housing Assets to the Housing Successor in November 2014, ratified the prior actions taken, and submitted the new action to the Department of Finance for its review. However, the DOF did not approve the Oversight Board resolution, indicating that there was insufficient documentation that the housing assets met the required criteria, and returned the matter back to the Oversight Board for reconsideration.

In response, City staff assembled supporting documentation to demonstrate that the Housing Assets meet the criteria for a "housing asset" and submitted this documentation to the Oversight Board for reconsideration and approval. H&S Code Section 34176(e)(1) defines "housing asset" to include "any real property, interest in, or restriction on the use of real property, whether improved or not ... that were acquired for low- and moderate-income housing purposes, either by purchase or through a loan, in whole or in part, with any source of funds."

In January of 2017, the City Council of Merced approved Resolution No. 2017-02 authorizing the retention by the Housing Successor of most of the housing assets listed in Exhibit A. Later the same month, the Oversight Board approved the transfer of those same housing assets to the City of Merced.

Correcting Housing Asset List Discrepancies

Three properties that qualify as housing assets and that were included in the original Housing Assets Transfer List were inadvertently excluded from the list of transferred properties in 2017.

One of those properties is a housing asset located at 26 W. 18th Street (APN: 031-163-005). The other two are located at 454 W. 8th Street (APN: 032-161-002) and 951 W. 7th Street (APN: 032-133-015). The City, acting as the Housing Successor Agency sold 454 West 8th Street and 951 West 7th Street prior to 2017, and proceeds from those sales were deposited into the Low- and Moderate-Income Housing Asset Fund.

The information contained in Exhibit B demonstrates that these properties were purchased using low- and moderate-income housing, reflecting that they were intended to be used for low- and moderate-income housing purposes.

Based on this information, staff requests the City Council, acting in its capacity as the Housing Successor Agency, adopt three resolutions, as follows:

- **Resolution 2019-17** would,
 - (a) determine that 26 W. 18th Street meets the criteria for housing assets as defined in H&S Code Section 34176(e),
 - (b) authorize the retention by the Housing Successor Agency of this Housing Asset, and
 - (c) authorize staff to submit the supporting documentation to the Oversight Board for consideration and approval; and,

- **Resolutions 2019-18 and 2019-19** would,
 - (a) determine that 454 W. 8th Street and 951 W. 7th Street meet the criteria for housing assets as defined in H&S Code Section 34176(e),
 - (b) validate the deposit of funds by the Housing Successor Agency, from the sale of these two Housing Assets into the Housing Asset Fund, and
 - (c) authorize staff to submit the supporting documentation to the Oversight Board for consideration and approval.

ATTACHMENTS

1. Exhibit A: List of Housing Assets
2. Location Map - 26 W. 18th Street
3. Location Map - 454 W. 8th Street
4. Location Map - 951 W. 7th Street
5. Exhibits B1-B3: Supporting Documentation that Housing Assets Meet the Criteria of Health & Safety Code Section 34176
6. Resolution 2019-17
7. Resolution 2019-18
8. Resolution 2019-19
9. City of Merced Executed Resolution 2017-02
10. California Department of Finance Letter - February 25, 2013
11. Oversight Board Resolution 2017-04 - Approving Transfer of Housing Assets to City
12. Draft Oversight Board Resolution for 26 W 18th Street
13. Draft Oversight Board Resolution for 454 W 8th Street
14. Draft Oversight Board Resolution for 951 W 7th Street