



Legislation Details (With Text)

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On agenda: 6/20/2016 **Final action:** 6/20/2016
Title: SUBJECT: Transfer of Former RDA Assets to Merced Designated Local Authority and Authorization for City Manager to Accept Such Assets on the City's Behalf

REPORT IN BRIEF

Authorize the City of Merced Public Financing and Economic Development Authority to transfer specific assets to the Merced Designated Local Authority or its designee, and authorize the City Manager to accept and consent to the transfer of these assets to the City, if offered.

RECOMMENDATION

City Council/Public Financing and Economic Development Authority - Adopt a motion:

A. Adopting Resolution PFA 2016-04, a Resolution of the City of Merced Public Financing and Economic Development Authority, authorizing the transfer of specific assets to the Merced Designated Local Authority or its designee; and,

B. Adopting Resolution 2016-27, a Resolution of the City Council of the City of Merced, California, authorizing the City Manager to accept and consent on the City's behalf the transfer of specific former assets of the Merced Redevelopment Agency; and,

C. Authorizing the Finance Officer to make the necessary budget adjustments.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Attachment 1.pdf, 2. Attachment 2.pdf

Date	Ver.	Action By	Action	Result
6/20/2016	1	City Council/Public Finance and Economic Development Authority/Parking Authority/Successor Agency to the Redevelopment Agency	approved	Pass

Report Prepared by: Kenneth Rozell, Senior Deputy City Attorney

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RECOMMENDATION

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- B. Adopting **Resolution 2016-27**, a Resolution of the City Council of the City of Merced, California, authorizing the City Manager to accept and consent on the City's behalf the transfer of specific former assets of the Merced Redevelopment Agency; and,
- C. Authorizing the Finance Officer to make the necessary budget adjustments.

AUTHORITY

City of Merced Charter, Section 200.

CITY COUNCIL PRIORITIES

Not Applicable.

DISCUSSION

In January 2011, the City of Merced and the Merced Redevelopment Agency took a series of steps to protect the important assets of the Merced Redevelopment Agency from a then pending effort by the State of California, pursuant to AB 1x 26 and AB 1x 27, to take these assets for the benefit of the State of California.

Like a number of other redevelopment agencies around the State of California, the Merced Redevelopment Agency transferred a variety of assets to another entity. For Merced, it was the City of Merced Public Financing and Economic Development Authority ("PFEDA"), a joint powers authority. Until all redevelopment agencies in California were dissolved as of February 1, 2012, PFEDA continued acting on behalf of the Merced Redevelopment Agency in fulfilling the agency's mission - including the construction of affordable housing and much-needed public infrastructure within the City of Merced.

PFEDA subsequently transferred certain assets to the City of Merced that had been the housing assets of the Merced Redevelopment Agency. PFEDA also transferred some parking-related assets to the Parking Authority of the City of Merced. After those transfers had occurred, PFEDA retained a small number of assets on its books.

In August 2014, the City Council authorized staff to begin the process of turning over to the Merced Designated Local Authority (the "DLA") selected non-housing assets that had been owned by the Merced Redevelopment Agency. This asset transfer was, however, contingent upon the City and the State of California first resolving the amount of credit that PFEDA would receive for the redevelopment activities that were conducted by PFEDA between February 1, 2011 and February 1, 2012.

Although these issues are still outstanding, it is in the best interest of PFEDA and the City of Merced if PFEDA transfers specific assets to the Merced Designated Local Authority or its designee in order to reduce the amount of money that the State of California has alleged that the City owes based upon the prior transfer of Merced Redevelopment Agency assets to PFEDA. (It should be noted that the City has strongly contested these claims by the State of California on a number of occasions.)

Although these assets have a combined current value of \$2,603,673, these assets have minimal actual value if they were sold on the open market. Specifically, the following fixed assets have a current book value of \$1,097,430:

- A. 200 Colony Lane (park strip) - APN 031-255-001 (value of \$18,776).
- B. 100 Colony Lane (park strip) - APN 031-255-011 (value of \$271,118).
- C. 1455 Auto Center Drive (park strip) - APN 031-370-001 (value of \$65,202).
- D. Highway 59 and Childs Pedestrian Crossing (value of \$52,405).
- E. Downtown Streetscape Improvements (value of \$689,929).

However, because the park strips are not buildable lots, they have no separate value other than as part of the streetscape. As for the pedestrian crossing and downtown streetscape improvements, the combined current value of \$742,334 represents the cost on the books to construct these improvements (less depreciation). The value does not include the ownership of the underlying land, so any third party acquiring the assets would simply be acquiring the obligation to maintain these improvements.

The following notes receivable and interest receivable have a combined current book value of \$1,506,343:

- A. Notes Receivable:
 - i. Kamson, Inc. (value of \$235,106).
 - ii. Mondo Building (value of \$1,200,000).
- B. Interest Receivable from Kamson, Inc. (valued at \$71,137).

However, it should be noticed that the Kamson, Inc. note receivable is currently in default and it appears unlikely that collections will occur on the note or the associated interest receivable. As for the Mondo Building note, the former Merced Redevelopment Agency received that note as part of an agreement entered into relating to the Mondo Building. The note, however, is a participation note meaning that PFEDA will only receive income from it in the event that the Mondo Building generates a specific amount of income. To date, the Mondo Building has not generated adequate income that triggers payments under the note - even with the building fully occupied by UC Merced. Given that UC Merced will be vacating the Mondo Building once its new administration building is constructed across the street from City Hall, it is unlikely that the Mondo Building will generate any participation income in the future.

It is anticipated that once PFEDA adopts the resolution authorizing the transfer of these assets to the DLA, the DLA will determine if it wishes to accept title to the assets or direct that certain of these assets be transferred to the City of Merced because of the governmental purpose associated with some of the assets. A City Council resolution also included with this report would authorize the City Manager to accept and consent to the transfer of the assets to the City if the DLA elects to do so.

ATTACHMENTS

1. Resolution PFA 2016-04
2. City Council Resolution 2016-27