

FORM APPROVED COUNTY COUNSEL
 BY: *Anita C. Willis*
 ANITA C. WILLIS
 1/13/16
 DATE

**SUBMITTAL TO THE BOARD OF SUPERVISORS
 COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



461

FROM: Executive Office

SUBMITTAL DATE:
 January 14, 2016

SUBJECT: Approval of Compensation Agreements for Transfer of City of Desert Hot Springs
 Successor Agency Owned Property, District 4; [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and authorize the Chairman of the Board of Supervisors to execute the Compensation Agreement by and among the City of Desert Hot Springs, the County of Riverside, the Riverside County Fire Department, and the Riverside County Library System for the Transfer of the City Hall Annex Property Located at 11875 and 11999 Palm Drive to the City of Desert Hot Springs; and,
2. Approve and authorize the Chairman of the Board of Supervisors to execute the Compensation Agreement by and among the City of Desert Hot Springs, the County of Riverside, the Riverside County Fire Department, and the Riverside County Library System for the Transfer of the City Corporate Yard Expansion Property on Cholla Drive to the City of Desert Hot Springs.

(Background commences on page 2)

Rohini Dasika
 Rohini Dasika
 Senior Management Analyst

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
SOURCE OF FUNDS: N/A				Budget Adjustment:	N/A
				For Fiscal Year:	14/15

C.E.O. RECOMMENDATION:

APPROVE

BY: *Alex Gann*
 Alex Gann

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.:

District: 4

Agenda Number:

3-6

Departmental Concurrence

BACKGROUND:
Summary (continued)

Pursuant to Assembly Bill 1484 (AB 1484), successor agencies (SAs) are required to prepare a Long Range Property Management Plan (LRPMP) which sets forth the strategy and process of the SA in the use and disposition of the former Redevelopment Agency real property assets (Properties). The goal of each SA is to dispose of the Properties expeditiously and in a manner that will maximize value to the affected Taxing Entities, while still advancing the planning objectives for which the Properties were originally acquired.

The Successor Agency to the Redevelopment Agency of the City of Desert Hot Springs (City Agency) prepared a LRPMP that was approved by the California State Department of Finance (DOF) May 15, 2015. Included in the allowable use and disposition strategies for successor agency owned property, as set forth in Health and Safety Code Section 34191.5 (c)(2), is the conveyance of parcels from the City Agency to the city for future development (Development Property). Neither Taxing Entities nor the City of Desert Hot Springs will receive compensation for Transfer Property. The City Agency proposes to transfer the following Development Property:

1. **City Hall Annex Property** – 11875 and 11999 Palm Drive
APN 639-252-018, 639-252-019, 639-252-041, 639-252-042
2. **City Corporate Yard Expansion Property** – Cholla Drive
APN 663-320-009, 663-320-011

The **City Hall Annex Property** consists of approximately 1.13 acres of improved land located on Palm Drive, and the **City Corporate Yard Expansion Property** consists of approximately 0.90 acres of vacant land located on Cholla Drive. Both properties are located in the City of Desert Hot Springs, and are more particularly described in Chapter IV, Property to be Transferred for Future Development, pages 11-17 of the LRPMP, as Site No. 2 and Site No. 3 respectively. The relevant pages of the LRPMP are included as attachments to the Compensation Agreements.

In the foregoing chapter, the LRPMP specifies that the City Hall Annex Property and the City Corporate Yard Expansion Property are to be transferred by the City Agency to the City at no cost. However, the real property included within the "Future Development Sites" category of the LRPMP are to be transferred to the City after the City has entered into a compensation agreement with the taxing entities pursuant to California Health and Safety Code ("HSC) Section 34180 (f)(1). Taxing entities, as defined pursuant to HSC Section 34171 (k), receive pass-through payments and distributions of property taxes attributable to redevelopment project areas of the former redevelopment agency. The County of Riverside, the Riverside County Fire Department, and the Riverside County Library System are affected taxing agencies for this transaction.

Compensation agreements must be approved by all affected taxing entities, including the County of Riverside, Riverside County Fire Department, Riverside County Library System, Riverside County Regional Parks and Open Space District, Riverside County Flood Control and Water Conservation District, Riverside County Office of Education, Palm Springs Unified School District, Desert Community College District, Palm Spring Public Cemetery District, Desert Healthcare District, Coachella Valley Mosquito and Vector Control District, Mission Springs Water District, Desert Water Agency, and Coachella Valley Resource Conservation District. Approval of this agreement does not affect redevelopment pass through agreements.

Impact on Citizens and Businesses

There is no impact to citizens or businesses of execution of this agreement.

COMPENSATION AGREEMENT

THIS COMPENSATION AGREEMENT (this "Agreement") is made and entered into effective as of the date defined herein (the "Effective Date"), by and among the City of Desert Hot Springs, a California municipal corporation (the "City"), and the affected taxing entities as defined in California Health and Safety Code ("HSC") § 34171 (k) (the "Taxing Entities") and as more particularly described herein, with the City and the Taxing Entities collectively referred to herein as "Parties" and individually referred to as a "Party."

RECITALS

WHEREAS, pursuant to Health and Safety Code (the "HSC") § 34172 (a)(1), the Redevelopment Agency of the City of Desert Hot Springs was dissolved February 1, 2012; and

WHEREAS, consistent with the provisions of the HSC, the City Council of the City of Desert Hot Springs (the "City") previously elected to serve in the capacity of the Successor Agency to the Desert Hot Springs Redevelopment Agency (the "Successor Agency"); and

WHEREAS, the Oversight Board for the Successor Agency (the "Oversight Board") has been established pursuant to HSC § 34179 to assist in the wind-down of the dissolved redevelopment agency; and

WHEREAS, pursuant to HSC § 34191.5 (b), the Successor Agency prepared a long-range property management plan (the "LRPMP") to dispose of the real property of the former Redevelopment Agency of the City of Desert Hot Springs (the "Former RDA") and submitted its LRPMP to the Oversight Board and subsequently to the California Department of Finance (the "DOF"); and

WHEREAS, the Oversight Board's Resolution No OB-2015-003, approving the final version of the LRPMP was submitted to DOF on March 25, 2015; and

WHEREAS, per HSC § 34191.5 (b), on May 15, 2015 the DOF approved the final version of the LRPMP and pursuant to HSC § 34191.4 (a) the properties delineated therein were thereafter transferred to the "Community Redevelopment Property Trust Fund" for administration by the Successor Agency consistent with the LRPMP; and

WHEREAS, among other things, the LRPMP describes seven (7) real property sites that are designated to be retained by the City for future development (the "Future Development Sites"); and

WHEREAS, consistent with the LRPMP, Future Development Sites are to be transferred to the City after the City has entered into an HSC § 34180 (f)(1) compensation agreement with the Taxing Entities, as defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas; and

WHEREAS, other than the City, the Taxing Entities entitled to a share of the pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas are as follows:

- a. County of Riverside;
- b. Riverside County Library;
- c. Riverside County Fire Department;
- d. Riverside County Parks and Open Space District;
- e. Riverside County Flood Control and Water Conservation District;
- f. County of Riverside Office of Education;
- g. Palm Springs Unified School District;
- h. Desert Community College District;
- i. Palm Springs Public Cemetery District;
- j. Desert Healthcare District;
- k. Coachella Valley Mosquito and Vector Control District;
- l. Mission Springs Water District;
- m. Desert Water Agency; and
- n. Coachella Valley Resource Conservation District; and

WHEREAS, this Agreement concerns the real property located at 11875 and 11999 Palm Drive in the City of Desert Hot Springs (APNs 639-252-018, -019, -041, and -042), consisting of approximately 1.13 acres of improved land and more particularly described in Chapter IV. Property to be Transferred for Future Development, Site No. 2, pages 11-14 ("Site No. 2") of the LRPMP and is incorporated herein by this reference as though fully set forth herein; and

WHEREAS, pursuant to the approved LRPMP, the Successor Agency shall convey Site No. 2 to the City for governmental use, as described and depicted within Exhibit "A," attached hereto and incorporated herein by this reference, at no cost to the City; and

WHEREAS, the City now wishes to enter into this Agreement with the Taxing Entities for the purpose of implementing the LRPMP with respect to Site No. 2.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties hereby agree as follows:

1. Incorporation of Recitals:

The foregoing recitals are true and correct and are a substantive part of this Agreement.

2. Purpose:

This Agreement is an HSC § 34180 (f)(1) compensation agreement entered into with the Taxing Entities, defined in HSC § 34171 (k), that receive pass-through payments and distributions of property taxes with respect to the Former RDA's redevelopment project areas.

3. Approval of Conveyance and Compensation:

Pursuant to the approved LRPMP, the Successor Agency's conveyance of Site No. 2 to the City for governmental use at no cost to the City without compensation to the Taxing Entities is approved by the Parties.

4. Effective Date:

This Agreement shall be effective on the date that the last of the Taxing Entities executes this Agreement (the "Effective Date"). Subsequent to the Effective Date, the Successor Agency will be authorized to convey Site No. 2 to the City, subject to approval of the Successor Agency Board and Oversight Board.

5. Ambiguities:

Any rule of construction to the effect that ambiguities are to be resolved against the drafting Party does not apply in interpreting this Agreement.

6. Integration:

This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written.

7. Amendments:

This Agreement may be modified only in writing and only if approved and executed by the Parties.

8. Governing Law:

This Agreement shall be construed and interpreted according to the laws of the State of California.

9. Counterparts:

This Agreement may be executed in one or more counterparts, each of which will be considered an original, and all of which together will constitute one and the same instrument.

10. Venue:

All proceedings involving disputes over the terms, provisions, covenants or conditions contained in this Agreement and all proceedings involving any enforcement action related to this Agreement shall be initiated and conducted in the applicable court or forum in Riverside County, California.

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IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates indicated below.

CITY OF DESERT HOT SPRINGS

ATTEST:

APPROVED:

Jeryl Soriano, City Clerk

Adam Sanchez, Mayor

APPROVED AS TO FORM:

Steven B. Quintanilla, City Attorney

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6. **Integration:** This instrument constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior offers and negotiations, oral or written.
7. **Amendments:** This Agreement may be modified only in writing and only if approved and executed by the Parties.
8. **Governing Law:** This Agreement shall be construed and interpreted according to the laws of the State of California.
9. **Counterparts:** This Agreement may be executed in one or more counterparts, each of which will be considered an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates indicated below.

CITY COUNCIL OF THE CITY OF DESERT HOT SPRINGS

AYES: 4- MATAS; MCKEE; PYE; AND MAYOR SANCHEZ.

NAYES: NONE.

ABSENT: NONE.


RECUSED: 1- BETTS.

ATTEST:




Jeryl Soriano, City Clerk

APPROVED:



Adam Sanchez, Mayor

APPROVED AS TO FORM:



Steven Quintanilla, City Attorney

TAXING ENTITIES

COUNTY OF RIVERSIDE,
A political subdivision of the State of
California

Dated: _____

By: _____
Chairman of the Board of Supervisors

ATTEST:

KECIA HARPER-IHEM,
Clerk of the Board of Supervisors:

By: _____
Deputy

RIVERSIDE COUNTY LIBRARY

By: _____
Chairman of the Board of Supervisors

**RIVERSIDE COUNTY FIRE
DEPARTMENT**

By: _____
Chairman of the Board of Supervisors

**RIVERSIDE COUNTY REGIONAL PARKS
AND OPEN SPACE DISTRICT**

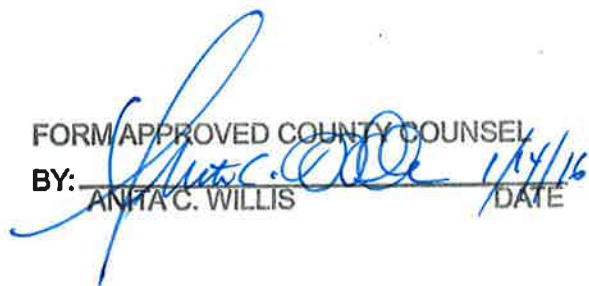
By: _____
Riverside County Regional Park &
Open Space District

FORM APPROVED COUNTY COUNSEL

BY: _____

ANITA C. WILLIS

DATE



**RIVERSIDE COUNTY FLOOD CONTROL
AND WATER CONSERVATION DISTRICT**

Dated: _____

By: _____
Riverside County Flood Control and
Water Conservation District

**APPROVED AS TO FORM:
GREGORY P. PRIAMOS
County Counsel**

By: _____
Deputy County Counsel

TAXING ENTITIES (Continued)

**COUNTY OF RIVERSIDE OFFICE OF EDUCATION
Riverside County Superintendent of Schools**

By: _____

Date: _____

TAXING ENTITIES (Continued)

PALM SPRINGS UNIFIED SCHOOL DISTRICT

By: _____
President, Board of Education

Date: _____

TAXING ENTITIES (Continued)

DESERT COMMUNITY COLLEGE DISTRICT

By: _____

Date: _____

TAXING ENTITIES (Continued)

PALM SPRINGS PUBLIC CEMETERY DISTRICT

By: _____
Kathleen Jurasky, District Manager

Date: _____

TAXING ENTITIES (Continued)

DESERT HEALTHCARE DISTRICT

Desert Healthcare Foundation

By: _____

Name: _____

Title: _____

Date: _____

TAXING ENTITIES (Continued)

**COACHELLA VALLEY MOSQUITO AND
VECTOR CONTROL DISTRICT**

By: _____
General Manager

Dated: _____

ATTEST:

By: _____
Clerk of the Board

APPROVED AS TO FORM:

By: _____
General Counsel

TAXING ENTITIES (Continued)

MISSION SPRINGS WATER DISTRICT

A county water district

By: _____
Board President

Dated: _____

ATTEST:

By: _____
Deputy Secretary of the Board

Dated: _____

APPROVED AS TO FORM:

By: _____
District Counsel

TAXING ENTITIES (Continued)

DESERT WATER AGENCY

By: _____,
Board of Directors, President

Dated: _____

ATTEST:

By: _____,
Board of Directors, Secretary-Treasurer

TAXING ENTITIES (Continued)

**COACHELLA VALLEY RESOURCE
CONSERVATION DISTRICT**

By: _____
President

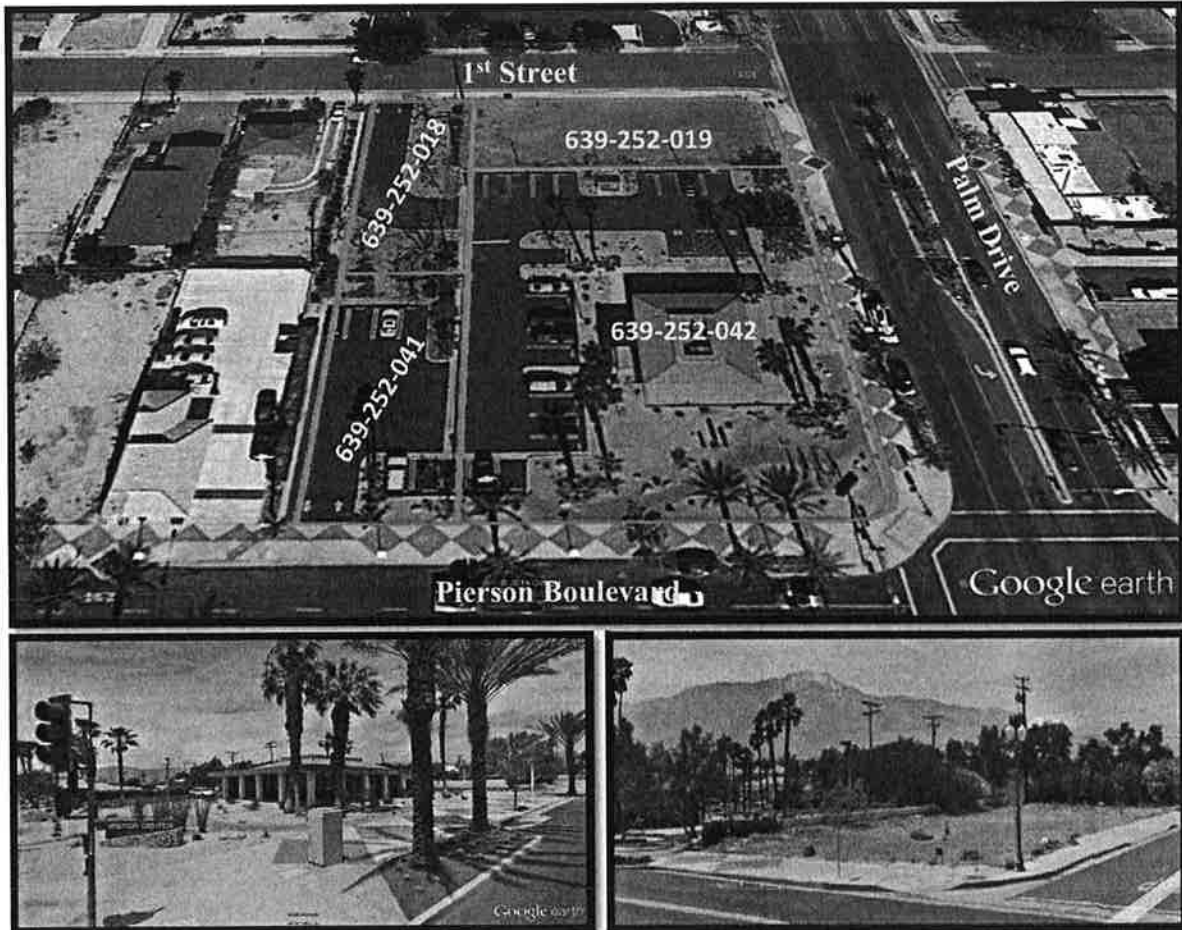
Date: _____

Chapter IV.
Property to be Transferred for Future Development,
Site No. 2, pages 11-14 of the LRPMP

(See Attachment)



Site No. 2
City Hall Annex Property
11875 Palm Drive
11999 Palm Drive
APNs: 639-252-018, -019, -041, -042



A. Permissible Use (HSC §34191.5(c)(2)):

Site No. 2 is the City Hall Annex Property and is proposed to be retained by the City of Desert Hot Springs for future development (i.e., use as a government facility) pursuant to HSC 34191.5(c)(2). The Successor Agency believes this use is fully consistent with the intent of HSC § 34181(a).

B. Acquisition of Property (HSC §34191.5(c)(1)(A) and 34191.5(c)(1)(B)):

The City Hall Annex Property was acquired by the Agency on August 26, 2008 (APN: 639-252-019), and on May 8, 2009 (APNs: 639-252-018, -041, -042) for a total of \$1,387,000, in order to meet the revitalization goals of the City and the Agency to alleviate the existence and spread of



physical and economic blight.¹ Given the dissolution of the Agency, it is the intention of the City to occupy the property as a City Hall Annex since the City cannot now accommodate the proposed expansion of City Hall as identified within the 2009 Vortex Specific Plan (the "VSP"). The estimated current value ("ECV") of the City Hall Annex Property is \$1.00.

C. Site Information (HSC §34191.5(c)(1)(C)):

The City Hall Annex Property consists of four (4) parcels totaling 1.13 acres (APNs 639-252-018, -019, -041, -042) located at 11875 and 11999 Palm Drive. The Property consists of a 16,000 sf parking lot, a 2,400 sf building, and an 8,000 sf area for building expansion. The Desert Hot Springs Visitor's Center currently occupies the 2,400 sf building. The Property is located within the 2009 VSP and is zoned Mixed-Use 0.02 (MXD 0.02). The MXD 0.02 designation provides for uses such as retail, restaurant, and office.

Desert Hot Springs City Hall was originally designed to house the City Police Department and City offices. As the City grew, it was determined that City staff should be removed from the City Police Department building for safety concerns. As a result, a series of trailers were installed to house other City offices. These trailers are currently well over 15 years old and in a state of disrepair. The City now requires more office space and is looking to utilize the City Hall Annex Property.

D. Estimated Current Value (HSC §34191.5(c)(1)(D)):

To determine an ECV for the City Hall Annex Property, in March 2014, comparable sales analysis was conducted through the National Data Collective.² An approximate value of \$205,000 was determined based on its use as a commercial parcel. However, the ECV is calculated to be \$1.00 due to the penalty clause in the Lease if the Lease is not renewed, resulting in an \$180,000 pay-out by the Successor Agency. In addition, since past operations on the site have not been investigated since 1990, further environmental site investigation will be required costing between \$5,000 and \$35,000. The cost of site remediation, if necessary, cannot be determined at this time. Local factors that may affect land value were not taken into consideration. Therefore, the actual value of the property may vary greatly from the ECV. The ECV is only a planning number and may not be relied upon as a basis for actual value. The ECV is only a rough estimate that was obtained from an on-line source where only comparable sales data are available. It is not possible to include environmental issues or any other special or unique factors into simple ECV calculations, as such data are not available from the source. As noted in the LRPMP, the actual value of the property cannot be determined without an appraisal.

E. Site Revenues (HSC §34191.5(c)(1)(E)):

On April 21, 2011, the Agency entered into a lease (the "Lease") with the Desert Hot Springs Chamber of Commerce and the non-profit Cabot's Museum Foundation ("Tenant") for the purpose of housing and operating a Visitor's Center (11999 Palm Drive (the "Premises" or the "Visitor's Center")). The Visitor's Center, at one point, contained an area for the Cabot Museum, Chamber, and a sub-leased area for the Desert Hot Springs Historical Society. Since then, the Cabot Museum and the Desert Hot Springs Historical Society have moved out of the building. The Lease expired on October 31, 2013, and could not be renewed by the Agency or the Successor Agency due to the dissolution of the Agency. Given that the Successor Agency would be responsible to reimburse

¹ *Amended Redevelopment Plan, October 1997*; pages 1, 2, and 4; Attachment "F - Merger Amendment No. One to the Desert Hot Springs Redevelopment Projects No. 1 and No. 2 Proposed Projects/Program List."

² www.Ndcd.com



Tenant for the cost to remove tenant improvements (estimated at approximately \$180,000) if the Lease was not renewed, the Successor Agency has allowed the Tenant to occupy the Premises on a month-to-month basis to avoid the Lease's penalty clause. A month-to-month rental basis until October 31, 2015 will allow the Successor Agency to avoid the non-renewal penalty clause of the Lease since the lease allowed for a renewal period of two (2) years. Once the property is transferred to the City, the City will re-negotiate the Lease with the Tenant to incorporate the City's plans to relocate its offices onto the Property in the future. In the meantime, the City continues to pay for the utilities as well as for the maintenance of the landscaping.

Annual rent payment received by the Successor Agency from Tenant is \$1.00. There are no contractual obligations for the use of this revenue.

F. History of Environmental Contamination (HSC §34191.5(c)(1)(F)):

There is no history of environmental contamination for APNs: 639-252-018, -041, and -042. However, APN 639-252-019 is the site of a former automotive repair shop. Prior to the Agency taking title to the parcel, the owner removed all existing equipment and/or hazardous chemicals, solvents, etc. used to operate the business. As part of the Agency's due diligence, Agency staff conducted a records review through the Riverside County Department of Environmental Health, Hazardous Materials Management Division. Records indicate that fuel storage tanks were removed and soil contamination remediated in 1990. There is still potential for the discovery of soil contamination from operations conducted post 1990 since a complete Phase-I Environmental Assessment has not been conducted.

G. Potential for Transit Oriented Development (TOD) and the Advancement of Planning Objectives of the Successor Agency (HSC §34191.5(c)(1)(G)):

There is no potential for a TOD development in conjunction with the City Hall Annex Property. The transfer of the City Hall Annex Property to the City advances the planning objectives of the City and the Successor Agency to (i) prevent the spread of blight by rendering the Visitor's Center unoccupied; (ii) provide community public facilities that are structurally sound/secure and more accessible to the public; (iii) relocate certain City offices closer to the center of the City as they are now located at the far westerly end of the City; and (iv) make every effort to assure the long-term availability of sites for the development and expansion of City buildings, utility infrastructure, and other public facilities.

H. History of Previous Development Proposals and Activity (HSC §34191.5(c)(1)(H)):

The City Hall Annex Property was a former savings and loan office that was converted into a dental office. At the time the Agency acquired the City Hall Annex Property, there were no pending development proposals for the re-use of the building so the non-profit Visitor's Center was allowed to occupy it. The City currently intends to utilize the City Hall Annex Property as a City Hall Annex.

I. Sale of Property:

The City Hall Annex Property is proposed to be transferred to the City of Desert Hot Springs for governmental use pursuant to HSC §34181(a), at no cost to the City for the reasons stated above.



J. Implementation of the Long-Range Property Management Plan:

Following the approval of the LRPMP by the DOF, the Successor Agency will implement the LRPMP. The transfer of the City Hall Annex Property to the City of Desert Hot Springs will occur only after the LRPMP is approved by the DOF and at no cost to the City. In addition, as a part of this process, the City intends to secure a HSC §34180(f)(1) compensation agreement (the "Compensation Agreement") with the affected taxing entities. The City will seek a Compensation Agreement with the affected taxing entities after the LRPMP is approved by DOF.