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DATE: October 17, 2007

TO: Honorable Mayor and City Councilmembers  
Chairman and Members of the Community Development Commission

FROM: Economic Development and Redevelopment Department

SUBJECT: **RESOLUTIONS APPROVING APPROPRIATION OF FUNDS BY THE OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION FOR THE RELOCATION OF UTILITIES FOR THE OCEANSIDE MUSEUM OF ART PER THE FIRST AMENDMENT TO THE LEASE AGREEMENT WITH THE OCEANSIDE MUSEUM OF ART AND MAKING CERTAIN FINDINGS THEREWITH**

**SYNOPSIS**

Staff recommends that the City Council and Community Development Commission adopt resolutions to approve and appropriate \$191,149 in Redevelopment Bond funds used to relocate utilities, pursuant to the First Amendment of the Lease Agreement with the Oceanside Museum of Art and make certain findings therewith.

**BACKGROUND**

In June 1995, the old City Hall building was leased to the Oceanside Cultural Arts Foundation (OCAF), to support the ongoing programming and operations for the museum, which serve as a gallery and office space. An amendment to the lease was completed in November 2001. The new lease shifted responsibility from the OCAF to the Oceanside Museum of Art and revised the terms to include the parking lot located east of the current Museum and future potential to lease the Fire Station 1 building once the fire station is relocated.

The OMA has established itself as a regional art museum in North San Diego County and serves as a cultural and social hub for the Oceanside community. The OMA attracts national and international art exhibitions which reflect a variety of performing and visual arts that include chamber music concerts, choral and dance performances, lectures, films, paintings, glass, sculpture, quilting and modern furniture. Additionally, the OMA collaborates with many local educational and visitor-serving organizations like Mira Costa and Palomar Colleges, Oceanside Public Library, Oceanside Unified School District, MainStreet Oceanside, California Welcome Center, and Buena Vista Lagoon Audubon Nature Center to name just a few.

Because of the success of the OMA over its first 10 years, the Board of Trustees developed a long-range plan for expansion and fundraising in May 1999. In December 2004, elevations and plans were approved by the Redevelopment Design Review Committee and Community Development Commission for the museum expansion. A 15,880-square-foot, three-level central pavilion on the parking lot east of the museum is being built and, once constructed, it will be owned by the City.

On January 24, 2007, the City Council and Community Development Commission had a public hearing in which legal findings were made supporting the use of \$1,030,921 plus interest in Redevelopment Bond Funds to help with the expansion of the OMA. The legal findings are a requirement of State Redevelopment Law and must be made when spending Redevelopment Money for a public building (Attachment 1).

**ANALYSIS**

The First Amendment to the Lease Agreement (Lease) with the Oceanside Museum of Art (Attachment 2), was approved by City Council on December 5, 2001. Paragraph 5(f)(2) of the Lease states “The City agrees to relocate utilities as required by the project”. The building and improvements that are leased to the OMA are owned by the City. The intent was to fund the cost of relocating the utilities from the General Fund, not Redevelopment Funds. However, it is requested that Redevelopment Bond Funds pay for the relocation of the utilities consistent with the funding of the \$1 million Challenge Grant approved by the CDC on January 24, 2007.

The OMA has requested \$255,934 in utility relocation costs. The breakdown is as follows:

Electricity / Telephone	\$136,649	
Water (1)	\$ 23,777.....	Payment from Water Utilities Department
Sewer (1)	\$ 41,008.....	Payment from Water Utilities Department
Fiber Optics	\$ 35,537	
Gas	\$ 1,225	
Irrigation (2)	\$ 14,138	
Compressor (3)	\$ <u>600</u>	
Total	\$255,934	

The amount of \$64,785 requested for Water and Sewer (1) reimbursement is to be paid from the Water Utilities Department. The amount of \$14,138, requested by the OMA for Irrigation (2) was to relocate a main waterline from under the OMA that provides irrigation to the City-owned block surrounding the OMA. The compressor (3) was purchased for the Fire Department to replace a compressor that was taken out of the parking lot east of the OMA and is being approved for reimbursement. The utility relocation costs were paid by the OMA and the Agency will reimburse utility relocation costs based upon the documentation that was submitted.

The amount of \$191,149 is being requested to be paid from Redevelopment Bond Funds, and by funding the cost of relocating the utilities, as proposed, the City and CDC will fully satisfy all past financial contractual obligations with respect to the Oceanside Museum of Art expansion project.

In accordance with Redevelopment Law specific findings must be made when using Redevelopment Tax Increment funds when paying for all or part of the cost to construct any publicly owned building. The findings are summarized below and can be reviewed in full in the attached Summary Report (Attachment 3).

1. Buildings, facilities, structures or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located (Health and Safety Code Section 33445(1)).

2. There is no other reasonable means of financing such buildings, facilities, structures, or other improvements available to the community (Health and Safety Code Section 33445(2)).
3. The payment of funds for the acquisition of land or the cost of buildings, facilities, structures or other improvements will assist in the elimination of one or more blighting conditions inside the project area, and is consistent with the 2005-09 Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3)).
4. The use must meet the provision in Redevelopment Law that taxes are being used to pay for a fundamental purpose of redevelopment (Health and Safety Code Section 33679(c)).

### **COMMISSION OR COMMITTEE REPORTS**

The Redevelopment Advisory Committee will review the project at its October 10, 2007 meeting. Comments will be forwarded to the City Council.

### **FISCAL IMPACT**

The current balance in Redevelopment Bond Funds is approximately \$16 million. Of that amount, \$12 million has been appropriated to established projects.

Adoption of the resolutions would appropriate \$191,149 in Redevelopment Bond Funds to project account number 591-837391 CIP-MB RDV Museum of Art.

### **CITY ATTORNEY'S ANALYSIS**

The resolutions have been reviewed and approved as to form by the City Attorney.

### **RECOMMENDATION**

Staff recommends that the City Council and Community Development Commission adopt resolutions to approve appropriation of \$191,149 in Redevelopment Bond Funds for the relocation of utilities for the Oceanside Museum of Art, pursuant to the First Amendment to the Lease Agreement with the Oceanside Museum of Art and make certain findings therewith.

PREPARED BY:



Tracey Bohlen  
Development Project Coordinator

SUBMITTED BY:



Peter Weiss  
City Manager/Executive Director

REVIEWED BY:

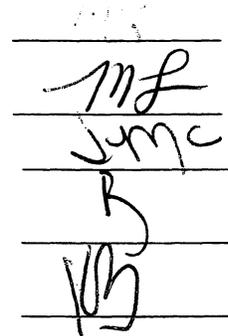
Michelle Skaggs Lawrence, Deputy City Manager

Mike Blessing, Deputy City Manager

Jane McVey, Economic Development & Redevelopment Director

Paul Bussey, Interim Financial Services Director

Kathy Baker, Redevelopment Manager



**EXHIBITS/ATTACHMENTS**

1. Staff Report dated January 24, 2007
2. First Amendment to the Lease Agreement with the OMA
3. Summary Report
4. Resolution of the Community Development Commission
5. Resolution of the City Council

# STAFF REPORT



# ITEM NO. 16

## CITY OF OCEANSIDE

DATE: January 24, 2007

TO: Honorable Mayor and City Councilmembers  
Chairman and Members of the Community Development Commission

FROM: Economic Development and Redevelopment Department

SUBJECT: **RESOLUTIONS APPROVING APPROPRIATION OF FUNDS BY THE OCEANSIDE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE FOR THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART, AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH**

### SYNOPSIS

Staff recommends that the City Council adopt resolutions to approve and appropriate \$1,030,921 million in Redevelopment Bond funds to assist in the construction of a new building east of the existing Oceanside Museum of Art (OMA) pursuant to a Memorandum of Understanding and Challenge Grant Agreement with the Museum, approved by City Council on September 7, 2005. And, approve and appropriate \$15,000 in Redevelopment Bond funds to pay for attorney fees for the analysis.

### BACKGROUND

In June 1995, the old City Hall building was leased to the Oceanside Cultural Arts Foundation (OCAF), to support the ongoing programming and operations for the museum, which serve as a gallery and office space. An amendment to the lease was completed in November 2001. The new lease shifted responsibility from the OCAF to the Oceanside Museum of Art and revised the terms to include the parking lot located east of the current Museum and future potential to lease the Fire Station 1 building once the fire station is relocated.

The OMA has established itself as a regional art museum in North San Diego County and serves as a cultural and social hub for the Oceanside community. The OMA attracts national and international art exhibitions which reflect a variety of performing and visual arts that include chamber music concerts, choral and dance performances, lectures, films, paintings, glass, sculpture, quilting and modern furniture. Additionally, the OMA collaborates with many local educational and visitors serving organizations like Mira Costa and Palomar Colleges, Oceanside Public Library, Oceanside Unified School District, MainStreet Oceanside, California Welcome Center, and Buena Vista Lagoon Audubon Nature Center to name just a few.

Because of the success of the OMA over its first 10 years, the Board of Trustees developed a long-range plan for expansion and fundraising in May 1999. In December 2004, elevations and plans were approved by the Redevelopment Design Review Committee and Community

ATTACHMENT #1

Development Commission for the museum expansion. A 15,880-square-foot, three-level central pavilion on the parking lot east of the museum was proposed to be built and once constructed it will be owned by the City. The Museum had a fundraising goal of \$5.35 million and in September 2005, the museum raised over \$3.16 million towards this goal, but \$2 million was still needed for construction.

The Oceanside City Council approved a Challenge Grant Agreement (Agreement) and Memorandum of Understanding (MOU) on September 7, 2005 (Attachment 1). The Agreement stated that the City would match the funds raised by the museum on a dollar-for-dollar basis up to \$1 million. The intent of the Agreement was to use the monies raised to construct the parking lot expansion only. The MOU included the following terms and conditions:

- Provided a two-year term to raise funds
- Required quarterly progress reports
- Deposited City-matched funds up to \$1 million total in an interest-bearing account
- Stipulated that the museum must spend 50 percent of its construction funds prior to receiving City Challenge Grant funds
- Once under construction the OMA would indemnify and defend the City against third-party lawsuits related to the construction

The OMA submitted reports on May 3, 2006, verifying that more than \$1.09 million in gifts and pledges had been raised, and requested the City funds in accordance with the Challenge Grant Agreement. The Oceanside Museum of Art has complied with all the terms and conditions of the Challenge Grant Agreement and Memorandum of Understanding and is entitled to the funds as stated in the Agreement and MOU.

## **ANALYSIS**

When the MOU was approved on September 7, 2005, the intent was to use General Fund monies to match gifts and pledges received by the OMA. The unallocated General Fund Balance in December 2006 was approximately \$1 million. The City determined this General Fund balance should be reserved to pay for unanticipated General Fund expenditures for projects and programs that are currently underway. Since the General Fund could not afford to fund the \$1 million to pay the OMA because the balance in the account was too low, it was proposed to use Redevelopment Bond funds to pay the OMA the \$1 million as stated in the Agreement.

The Oceanside Museum of Art was able to raise the \$1 million in matching grant funds from donors with the understanding that the City would match the funds. Additional capital campaigning is underway to raise funding for Phase II of the construction and to establish an endowment for ongoing operation of the facility.

To analyze the legal ability to use Redevelopment funds for this project outside council was used. The firm the City uses for all bond issues, Stradling, Yocca, Carlson and Rauth did the analysis. The analysis was from both a Redevelopment law and bond law perspective and concluded that Redevelopment funds could be used if specific findings could be made which are summarized below and can be reviewed in full in the attached Summary Report (Attachment 2).

1. Buildings, facilities, structures or other improvements are of benefit to the project area or the immediate neighborhood in which the project is located (Health and Safety Code Section 33445(1)).
2. There is no other reasonable means of financing such buildings, facilities, structures, or other improvements available to the community (Health and Safety Code Section 33445(2)).
3. The payment of funds for the acquisition of land or the cost of buildings, facilities, structures or other improvements will assist in the elimination of one or more blighting conditions inside the project area, and is consistent with the 2005-09 Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3)).
4. The use must meet the provision in Redevelopment Law that taxes are being used to pay for a fundamental purpose of redevelopment (Health and Safety Code Section 33679(c)).

The OMA has asked the Agency to pay for the legal analysis and the documentation required to fund the Challenge Grant with Redevelopment funds. The estimated amount for legal fees is \$15,000.

### **COMMISSION OR COMMITTEE REPORTS**

The Oceanside Historic Preservation Advisory Commission unanimously approved the project at its December 7, 2004 meeting.

The Redevelopment Design Review Committee approved the project at its December 10, 2004, meeting.

The Redevelopment Advisory Committee reviewed the project at its December 15, 2004, meeting and approved the project unanimously.

### **FISCAL IMPACT**

The current balance in Redevelopment bond funds is approximately \$16 million. Of that amount, \$12 million has been committed to established projects. The amount of \$1 million plus interest will not impact the current programming of Redevelopment bond funds. The Interest amount has been calculated for the January through December 2006 period as \$30,921.00 and will accrue on the balance of funds until the final disbursement to the OMA is made.

Payments to the OMA will be based upon presentation of verifiable invoices for construction work and only after the museum has spent 50 percent of the Museum's verified available funding for construction purposes. The submission of reports and documentation for the disbursement of funds must be submitted to the Economic Development and Redevelopment Department for review, approval, and disbursement of funds.

Appropriate \$1,045,921 to fund the Challenge Grant amount of \$1 million, plus interest of \$30,921, which will continue to accrue on the account balance until the final disbursement of

funds is made to the OMA and \$15,000 in estimated attorney fees.

Allocate the amount of \$466,000 from the 2002 TAB project funds, and \$564,921 from the 2004 Refunding TAB project funds, to project account number 591-837391 CIP-MB RDV Museum of Art. And, appropriate \$15,000 from the 2004 Refunding TAB project funds to account 591-304050-5241.58022 for legal fees.

**CITY ATTORNEY'S ANALYSIS**

The resolutions have been reviewed and approved as to form by the City Attorney.

**RECOMMENDATION**

Staff recommends that the City Council adopt resolutions to approve and appropriate \$1,030,921 million in Redevelopment Bond funds to assist in the construction of a new building east of the existing Oceanside Museum of Art (OMA) pursuant to a Memorandum of Understanding and Challenge Grant Agreement with the Museum, approved by City Council on September 7, 2005. And, approve and appropriate \$15,000 in bond funds to pay for attorney fees for the analysis.

PREPARED BY:

  
Tracey Bohlen  
Development Project Coordinator

SUBMITTED BY:

  
Barry E. Martin  
Interim City Manager/Executive Director

REVIEWED BY:

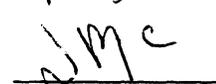
Michelle Skaggs Lawrence, Interim Deputy City Manager



Mike Blessing, Deputy City Manager



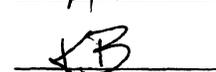
Jane McVey, Director of Economic Development  
and Redevelopment



Nita McKay, Financial Services Director



Kathy Baker, Redevelopment Manager



**EXHIBITS/ATTACHMENTS**

1. Challenge Grant Staff Report dated September 7, 2005
2. Summary Report
3. Resolution of the Community Development Commission
4. Resolution of the Oceanside City Council

# STAFF REPORT



ITEM NO. 39  
CITY OF OCEANSIDE

DATE: September 7, 2005

TO: Honorable Mayor and City Councilmembers

FROM: Steven R. Jepsen, City Manager

SUBJECT: **APPROVAL OF A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF OCEANSIDE AND THE OCEANSIDE MUSEUM OF ART FOR A CHALLENGE GRANT MATCHING PRIVATE DONATIONS UP TO \$1 MILLION**

## SYNOPSIS

Staff recommends that the City Council approve the Memorandum of Understanding (MOU) with the Oceanside Museum of Art (OMA) for a \$1 million Challenge Grant to assist with the funding of a \$5.35 million expansion of the existing museum, and authorize the City Manager to execute the MOU.

## BACKGROUND

The Oceanside Museum of Art was established in 1995. The museum has renovated the old City Hall building to serve as a gallery. Through its first decade, the museum has served as both a cultural and social hub for community events. The museum has attracted national and international shows to our community reflecting a variety of visual arts including: paintings, glass, sculptures, quilting and modern furniture.

The original lease for the museum's use of old City Hall was approved in June of 1995 with the Oceanside Cultural Arts Foundation (OCAF). The lease was amended in November of 2001 to shift responsibility to the Oceanside Museum of Art and to provide for the future expansion of the museum east to include the parking lot and eventually incorporating the building housing Fire Station #1. The intent of the Challenge Grant will not affect the terms and conditions of the November 2001 lease. The monies raised through the Challenge Grant are intended to apply towards the parking lot area expansion only. Any use of Fire Station #1 would be pending the City's relocation of that facility.

## **ANALYSIS**

The OMA has a fundraising goal of \$5.35 million for the museum expansion; \$3.16 million of this amount has already been raised, leaving a balance need of just over \$2 million. The Challenge Grant is intended to raise the needed amount on a dollar-for-dollar basis up to \$1 million total from the City. The Memorandum of Understanding includes the following outline of terms and conditions:

- Provides a two-year time frame to raise funds
- Requires quarterly progress reports
- Deposits City matched funds in an interest-bearing account for museum use, up to \$1 million total.
- Provides that the museum must spend 50 percent of its construction funds prior to drawing down on Challenge Grant monies
- Indemnifies and defends City against third-party lawsuits related to expansion construction

## **FISCAL IMPACT**

The City of Oceanside has approximately \$20 million in General Funds available for capital projects. This is in addition to our ongoing 10 percent Healthy City Reserves of \$9 million. Funding for the museum Challenge Grant will not jeopardize previously identified priorities for public safety or the senior center.

In addition, the City of Oceanside will retain control over the City's portion of the Challenge Grant. The Challenge Grant funds, up to \$1 million will be placed in an interest bearing account. Draw down on the account will require the museum construction to be at least 50 percent complete. This will assure that necessary funds are in place for the museum to finish planned construction commitments.

## **COMMISSION OR COMMITTEE REPORT**

Does not apply.

## **CITY ATTORNEY'S ANALYSIS**

The referenced document has been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

Staff recommends that the City Council approve the Memorandum of Understanding (MOU) with the Oceanside Museum of Art (OMA) for a \$1 million Challenge Grant to assist with the funding of a \$5.35 million expansion of the existing museum, and authorize the City Manager to execute the MOU.

**SUBMITTED BY:**



Steven R. Jepsen  
City Manager

**REVIEWED BY:**

Michelle Skaggs Lawrence, Assistant to the City Manager

\_\_\_\_\_

## CHALLENGE GRANT AGREEMENT

This CHALLENGE GRANT AGREEMENT ("Agreement") is made and entered into on this 8<sup>th</sup> day of September, 2005, by and between the City of Oceanside ("City") and the Oceanside Museum of Art, Inc. ("Museum").

### RECITALS

WHEREAS, the City is the owner of certain real property commonly known as 704 Pier View Way, Oceanside, CA; the Museum leases space on such property, including the adjacent parking lot to the east, and has a future interest in occupying Fire Station No. 1 ("Premises"), pursuant to a Lease Between City of Oceanside and Oceanside Cultural Arts Foundation (Museum's predecessor in interest) dated June 28, 1995, a Memorandum of Lease Commencement Date of Lease between City of Oceanside and Oceanside Cultural Arts Foundation, an Assignment of Lease and First Amendment of Lease between City of Oceanside and Oceanside Museum of Art, Inc. dated November 7, 2001 (collectively the "Lease");

WHEREAS, the Museum desires to commence construction of the "Project", defined as the expansion of the existing Art Museum to include the parking lot and new building to the east of the existing museum, exclusive of Fire Station #1;

WHEREAS, all buildings and improvements to be constructed by Museum on the Premises shall be owned by the City;

WHEREAS, the Museum has raised \$3.16 million of the \$5.35 million in funds required to complete the Project; and

WHEREAS, the City desires to assist in Museum's efforts to construct said buildings and improvements by offering this \$1 million Challenge Grant.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, the parties hereto agree as follows:

1. CHALLENGE GRANT AMOUNT The City agrees to provide to Museum matching funds in an amount not to exceed \$1 million.

1.1 The value of all gifts and pledges (as defined in Section 3 below) up to \$1 million received by Museum for the Project during the Term of this

Challenge Grant (as defined in Section 2 below) shall be matched by the City for the Museum's use in constructing the Project.

1.2 Challenge Grant funds are to be utilized solely for construction of the buildings and improvements of the Project and shall not be used for any other Museum functions or programming.

2. **TERM** the Term of this Challenge Grant shall commence upon execution of this Agreement by both parties and shall expire two (2) years following said date of execution for the purpose of meeting fund raising goals to match the \$1 million Challenge Grant.

3. **MATCHED FUNDS** The City agrees to match the value of all gifts and donations, up to \$1 million, received by the Museum after September 7, 2005 for the Project during the Term of this Challenge Grant.

3.1 **LIQUID ASSETS** Liquid Assets are those gifts and donations to the Project that can be readily converted to cash and/or services directly related to the Project. For the purpose of this Agreement, Liquid Assets shall be valued at their actual value on the date of receipt by the Museum.

3.2 **NON-LIQUID ASSETS** Non-Liquid Assets are those gifts and donations to the Project that cannot be readily converted to cash directly related to the Project. Non-Liquid Assets without directly defined maturity dates or pledged dates would require independent appraisal and approval of Museum's tax consultants prior to Museum's statement of value for such items. Non-Liquid Assets shall be convertible to cash in a defined time frame.

3.3 **IN-KIND SERVICES** The City will match the value of in-kind services only to the extent that such services contribute to the design and construction of the Project. In-kind services shall include architects, engineers, contractors, material suppliers and service providers necessary for the Project.

4. **REPORTING and FUNDING** Reporting of gifts and donations in the form of Liquid Assets and Non-Liquid Assets received for the project and the Challenge Grant funding by the City shall be controlled by the following conditions.

4.1 The Museum shall present to the City the following items upon execution of this Agreement:

- a. A record of all Project assets received prior to September 7, 2005, complete with locations where held and account numbers where applicable.

ATTACHMENT 1

- b. A record of all current Project Liquid Assets. Donor names may be listed by Donor Number for privacy purposes.
- c. A statement by Museum that it will guarantee the collection of all pledged Project gifts, donations and assets.
- d. A record of all Project expenditures to date.
- e. A current projection of Project costs and schedule.

4.2 The Museum shall present to the City the following items on the first business day following January 1, 2006 and then on the first business day of every third month following (every 90 days±) until the end of the Term:

- a. A record of all Project Assets received during the last operating period. Donor names may be listed by Donor Number for privacy purposes.
- b. A statement by Museum that it will guarantee the collection of all pledged Project gifts, donations and assets.
- c. A record of all Project expenditures to date.
- d. A current projection of Project costs and schedule.

4.3 The City will deposit matching funds, up to \$1 million total, in an interest-bearing account, within 30 days of each 90-day report filed by the Museum and verified by the City. Such funds will remain under City control until such time as they are drawn down for the purposes of payment for Museum construction. The funds shall earn the same annual interest as the City of Oceanside's investment portfolio.

4.4 The Museum shall have access to the \$1 million Challenge Grant, plus interest, only after the Museum has spent 50 percent of the Museum's verified available funding for construction purposes. The City shall make payments to the Museum based upon presentation of verifiable invoices for construction work.

4.5 The Museum shall verify funding availability sufficient to pay construction bid amounts prior to the initiation of construction of the Project.

5. **NOTICES** No notice, request, demand, instruction, or other document to be given hereunder to any Party shall be effective for any purpose unless personally delivered to the person at the appropriate address set forth below (in which event such notice shall be deemed effective only upon such delivery), delivered by air courier next-day delivery (e.g. Federal Express), delivered by mail, sent by registered or certified mail, return receipt requested, or sent via telecopier, as follows:

ATTACHMENT 1

If to City, to

City Manager  
City of Oceanside  
300 N. Coast Highway  
Oceanside, CA 92054

If to Museum, to

Executive Director  
Oceanside Museum of Art  
704 Pier View Way  
Oceanside, CA 92054

6. INDEMNIFICATION The City assumes no liability as a donor to the Museum with regard to the employment of consultants and/or contractors for the purpose of implementation of the Project. The Museum agrees to defend, indemnify and hold harmless the City and its officers, agents and employees against all claims, costs, expense, or damages that may arise with regard to this Agreement. The Museum further agrees to defend all third party claims and/or liens against the property as a result of the Project.

7. INTENT This Agreement is in reference to the Challenge Grant only and is not intended to change the terms or conditions of the existing lease.

IN WITNESS WHEREOF, the parties hereto have caused this Challenge Grant Agreement to be executed by their respective duly authorized representatives as of the date and year first above written.

"CITY"

CITY OF OCEANSIDE

By: \_\_\_\_\_  
City Manager

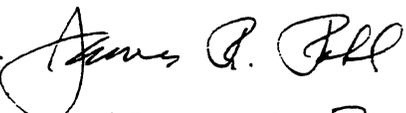
Approved as to form:

By:   
City Attorney

"MUSEUM"

By: 

Name: Thomas A. Nunan

BY:   
NAME: JAMES R. PAHL

Title: President, OMA Board of Trustees TITLE: EXECUTIVE DIRECTOR

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of SAN DIEGO

} ss.

On August 31, 2005, before me, Holly J. Trobaugh, Notary Public  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")  
 personally appeared James Robert Pahl II  
Name(s) of Signer(s)

personally known to me

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Place Notary Seal Above

Holly J. Trobaugh  
 Signature of Notary Public

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Challenge Grant Agreement

Document Date: 9/8/2005 Number of Pages: 4

Signer(s) Other Than Named Above: Thomas Nunan, Steve Jepsen

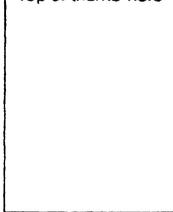
**Capacity(ies) Claimed by Signer(s)**

Signer's Name: James Robert Pahl II

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: Executive  
DIRECTOR

Signer Is Representing: \_\_\_\_\_  
Oceanside Museum  
of Art

RIGHT THUMBPRINT  
 OF SIGNER  
 Top of thumb here

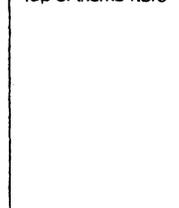


Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

RIGHT THUMBPRINT  
 OF SIGNER  
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**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

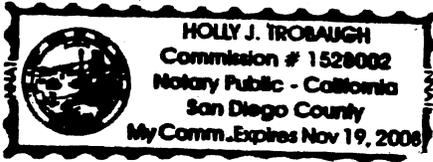
State of California

County of San Diego

} ss.

On Aug. 30, 2005, before me, Holly J. Trobaugh, Notary Public

personally appeared Thomas A. Nunan



personally known to me

proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Holly J. Trobaugh  
Signature of Notary Public

**OPTIONAL**

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

**Description of Attached Document**

Title or Type of Document: Challenge Grant Agreement

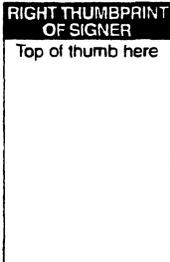
Document Date: 9/8/05 Number of Pages: 4

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: Thomas A. Nunan

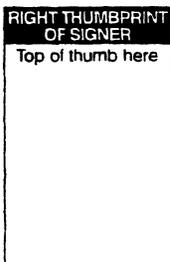
- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: President



Signer Is Representing: Oceanside Museum of Art Trustees

Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

**SUMMARY REPORT  
FOR PROPOSED FUNDING BY THE COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF OCEANSIDE  
OF THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART**

This report has been prepared in connection with a joint public hearing of the Oceanside City Council (the "City Council") and the Community Development Commission of the City of Oceanside (the "Commission") which is scheduled to be held in the Oceanside City Council Chambers at 300 North Coast Highway, Oceanside, on January 24, 2007 at 5:00 p.m., with respect to the Commission's payment of tax increment funds for the Commission's appropriation of \$1 Million, plus interest at the rate earned by the City's investment portfolio, to be used to fund a portion of the expansion of the Oceanside Museum of Art (the "Art Museum").

The Oceanside Museum of Art, Inc. (the "Museum Corporation") has proposed to expand the Art Museum through the construction of a 15,880 square foot, three level central pavilion on the parking lot located adjacent to the Art Museum. The expansion of the Art Museum was estimated to cost \$5.35 Million, and as of 2005 the Museum Corporation had raised more than \$3 Million in private donations toward the expansion project. Pursuant to the terms of the Lease between the City and the Museum Corporation, the Art Museum and the expansion of the Art Museum will be owned by the City. The City has entered into a "Challenge Grant Agreement" with the Museum Corporation, dated as of September 7, 2005, which requires the City to provide up to \$1 Million, plus interest at the rate earned by the City's investment portfolio, to match additional funds raised by the Museum Corporation for the expansion of the Art Museum, as an incentive for private parties to donate further funds for the Art Museum expansion. Subsequent to the approval of the Challenge Grant Agreement the Museum Corporation has raised more than \$1 Million in additional funds for the expansion of the Art Museum, and has qualified to receive the additional funding from the City pursuant to the Challenge Grant Agreement. The City has proposed that the Commission pay the \$1 Million, plus interest, payable pursuant to the Challenge Grant Agreement.

Before the Commission commits to pay for the construction of publicly owned buildings, the City Council must hold a public hearing and make available a summary of the proposal. The summary is required to include the following:

- (a) Estimates of the amount of taxes proposed to be used to pay for land and construction of publicly owned buildings, including interest payments.
- (b) Facts supporting the required findings that the publicly owned buildings are of benefit to a project area or the immediate neighborhood of a project area or another project area, will assist in the elimination of blight within the redevelopment project area or provide housing for low- or moderate-income persons, that the facilities are consistent with the Implementation Plan for the project, and that no other reasonable means of financing the buildings is available to the community.
- (c) The redevelopment purpose of the expenditure.

This Summary Report has been prepared to satisfy the above requirements, which are set forth in Sections 33445 and 33679 of the California Health and Safety Code.

**A. Estimate of the Amount of Taxes Proposed to be Used to Pay for Land and Construction of Publicly Owned Buildings, Including Interest Payments (*Health and Safety Code Section 33679(a)*)**

The Commission proposes to pay \$1,000,000 for the expansion of the Art Museum, plus interest at the rate earned by the City's investment portfolio. As of December 31, 2006, the interest accrued on the \$1 Million obligation pursuant to the Challenge Grant Agreement, at the rate earned by the City's investment portfolio, was \$30,921. The interest payable by the Commission will continue to accrue on the balance of the grant amount until the final disbursement thereof.

**B. Facts Supporting the Determinations Required to be Made by the City Council Pursuant to Section 33445 of the Health and Safety Code**

***(Health and Safety Code Section 33679(b))***

**1. *Buildings, Facilities, Structures or Other Improvements are of Benefit to the Project Area or the Immediate Neighborhood in Which the Project is Located (Health and Safety Code Section 33445(1))***

The expansion of the Art Museum will be of benefit to the Project by expanding and enhancing an important cultural resource within Downtown Oceanside for both residents of the City and visitors to the City. The Art Museum expansion is expected to have a catalyst effect of the Project, by drawing additional visitors to the downtown area, stimulating private development and investment within the downtown area, and encourage economic and social activity within the downtown area.

**2. *There is No Other Reasonable Means of Financing Such Buildings, Facilities, Structures, or Other Improvements Available to the Community (Health and Safety Code Section 33445(2))***

As stated above, the Commission proposes to fund a portion of the cost of the expansion of the Art Museum. This cost cannot reasonably be expected to be financed through other means available to the community. The Museum Corporation has no additional funds available to pay for the remaining costs. The Museum Corporation has transmitted a letter to the City and the Commission stating that the grant from the Challenge Grant Agreement is necessary for the payment of the costs of construction of the Art Museum expansion, that other funds which it has raised will be necessary for Phase 2 of the Art Museum expansion and the endowment fund for the operation of the Art Museum, and that it has no other funds available for construction costs. The City has no additional funds available to pay for such costs. The City Budget Manager has reported to the City and the Commission that the City currently has an unappropriated General Fund balance of approximately \$1 Million, all of which is necessary for the payment of unanticipated costs for City programs and projects currently in place. The Commission's primary source of funding, tax increment, is the only reasonable source of funding which is expected to be available to pay for any additional costs of the expansion of the Art Museum.

**3. *The Payment of Funds for the Acquisition of Land or the Cost of Buildings, Facilities, Structures or Other Improvements Will Assist in the Elimination of One or More Blighting Conditions Inside the Project Area, and is Consistent With the Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3))***

In the Report to the City Council prepared by the Commission with respect to the City's adoption of the Project, the Commission found that the Project Area was characterized by deterioration and dilapidation of buildings; inadequate area parking; incompatible land uses; inadequate shape and size of parcels, inadequate condition and location of existing public infrastructure; beach erosion; and the potential of toxic and hazardous materials. Examples of specific physical blighting conditions found within the Project Area included vacant or underutilized land, building code violations, age and obsolescence of improvements, and the lack of tourist amenities and accommodations. The Commission's 2005-09 Implementation Plan stated that the blighted economic conditions still found in the Project Area are characterized by a historic lack of commercial investment by property owners and by businesses in the area; and a high commercial vacancy factor. One of the examples of economic blight discussed in the Implementation Plan was the lack of tourist accommodations and activities. The Implementation Plan stated that the Project Area also has serious infrastructure deficiencies. The expansion of the Art Museum will provide additional public improvements and public facilities which will assist to eliminate some of those blighting conditions which were identified in the Report to the City Council and the 2005-09 Implementation Plan. The expansion of the Art Museum will upgrade public infrastructure and provide additional tourist amenities, which is anticipated to stimulate private investment in real property in the downtown area, and to improve and maintain property values within the Project.

The payment of a portion of the costs of the Art Museum expansion will be consistent with the Implementation Plan for the Project, which identifies goals and objectives which include providing necessary public improvements to encourage desired private developments, attracting and supporting catalyst projects to spur additional reinvestment in the Project, and establishing downtown Oceanside as a business and visitor center for commerce, recreation, tourism, entertainment and residential uses for the existing community and visitors. The Art Museum expansion would satisfy the above objectives of the Implementation Plan by providing for the expansion of the Art Museum, which will have the effect of expanding and enhancing an important cultural resource within Downtown Oceanside, which is expected to draw additional visitors to the downtown area, stimulate private development and investment within the downtown area and encourage economic and social activity within the City.

**C. The Redevelopment Purpose for Which Such Taxes are Being Used to Pay for the Land and Construction of Such Publicly Owned Buildings**  
*(Health and Safety Code Section 33679(c))*

The Redevelopment Law states that the provision of public improvements is a fundamental purpose of redevelopment. The definition of "redevelopment" within the California Community Redevelopment Law includes "the provision of those . . . public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare" (Health and Safety Code Section 33020), and the "Provision for . . . public or private buildings, structures and improvements, and improvements of public or private recreation areas and other public grounds" (Health and Safety Code Section 33021(b)). The financing of a portion of the costs of expansion of the Art Museum would satisfy the above purposes by making available public structures and spaces which are integral to the proper functioning of the Project.

RESOLUTION NO. 07-R0031-1

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE FOR THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART, AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

WHEREAS, the Community Development Commission of the City of Oceanside (the "Commission") is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Commission's Downtown Redevelopment Project (the "Project"); and

WHEREAS, the Oceanside Museum of Art, located at 704 Pier View Way in the City (the "Art Museum") on land leased from the City of Oceanside (the "City"), is a cultural and social hub for the Oceanside community, attracting national and international shows which reflect a variety of performing arts, including chamber music concerts, choral and dance performances, lectures, films, paintings, glass, sculpture, quilting and modern furniture; and

WHEREAS, the Oceanside Museum of Art, Inc. (the "Museum Corporation") has proposed to expand the Art Museum through the construction of a 15,880 square foot, three level central pavilion on the parking lot located adjacent to the Art Museum; and

WHEREAS, the expansion of the Art Museum was estimated to cost \$5.35 Million, and as of 2005 the Museum Corporation had raised more than \$3 Million in private donations toward the expansion project; and

WHEREAS, pursuant to the terms of the Lease between the City and the Museum Corporation, the Art Museum and the expansion of the Art Museum will be owned by the City; and

WHEREAS, the City has entered into a "Challenge Grant Agreement" with the Museum Corporation, dated as of September 7, 2005, which requires the City to provide up to \$1 Million, plus interest at the rate earned by the City's investment portfolio, to

1 match additional funds raised by the Museum Corporation for the expansion of the Art  
2 Museum, as an incentive for private parties to donate further funds for the Art Museum  
3 expansion; and

4 WHEREAS, subsequent to the approval of the Challenge Grant Agreement the  
5 Museum Corporation has raised more than \$1 Million in additional funds for the  
6 expansion of the Art Museum, and has qualified to receive the additional funding from  
7 the City pursuant to the Challenge Grant Agreement; and

8 WHEREAS, the City has proposed that the Commission pay the \$1 Million grant,  
9 plus interest at the rate earned by the City's investment portfolio, payable pursuant to the  
10 Challenge Grant Agreement; and

11 WHEREAS, Section 33445 of the California Community Redevelopment Law  
12 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or  
13 part of the value of the land for and the cost of the installation and construction of any  
14 building, facility, structure, or other improvement which is publicly owned either within  
15 or without the project area upon certain findings; and

16 WHEREAS, Section 33679 of the California Community Redevelopment Law  
17 requires that before a redevelopment agency commits to use property tax increment funds  
18 to pay the cost of land for and installation and construction of publicly owned buildings,  
19 the legislative body shall hold a public hearing thereon; and

20 WHEREAS, prior to such public hearing the legislative body is required to give  
21 notice of the hearing and to make available for public inspection a summary report which  
22 estimates the amount of taxes proposed to be used to pay for such public facilities, which  
23 sets forth the facts supporting the determinations required to be made pursuant to Health  
24 and Safety Code Section 33445, and which sets forth the redevelopment purpose for  
25 which such taxes are being used; and

26 WHEREAS, the City Council has previously determined, in its adoption of the  
27 ordinance approving the Downtown Redevelopment Project, that the Project and the  
28 neighborhood of the Art Museum was blighted, with conditions including the lack of  
commercial investment by property owners and by businesses in the area, inadequate

1 condition and location of existing public infrastructure, and the lack of tourist amenities  
2 and accommodations; and

3 WHEREAS, the Agreement would provide for the elimination of such blighting  
4 conditions by providing for the construction of a high quality expansion to the existing  
5 Art Museum and related improvements in place of the previously blighted conditions,  
6 and would result in private investment in the downtown Oceanside area which would  
7 eliminate blight in those adjacent areas as well; and

8 WHEREAS, the Commission has adopted an Implementation Plan for the Project  
9 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives  
10 which include providing necessary public improvements to encourage desired private  
11 developments, attracting and supporting catalyst projects to spur additional reinvestment  
12 in the Project, and establishing downtown Oceanside as a business and visitor center for  
13 commerce, recreation, tourism, entertainment and residential uses for the existing  
14 community and visitors; and

15 WHEREAS, the Art Museum expansion would satisfy the above objectives of the  
16 Implementation Plan by providing for the expansion of the Art Museum, which will have  
17 the effect of expanding and enhancing an important cultural resource within Downtown  
18 Oceanside, which is expected to draw additional visitors to the downtown area, stimulate  
19 private development and investment within the downtown area and encourage economic  
20 and social activity within the City; and

21 WHEREAS, the Museum Corporation has raised funds for the construction of the  
22 Art Museum expansion which will pay for more than \$4 Million of the cost of the Art  
23 Museum expansion; and

24 WHEREAS, the Museum Corporation has transmitted a letter to the City and  
25 Commission stating that the grant from the Challenge Grant Agreement is necessary for  
26 the payment of the costs of construction of the Art Museum expansion, that other funds  
27 which it has raised will be necessary for Phase 2 of the Art Museum expansion and the  
28 endowment fund for the operation of the Art Museum, and that it has no other funds  
available for construction costs; and

WHEREAS, the City Budget Manager has reported to the City and the

1 Commission that the City currently has an unappropriated General Fund balance of  
2 approximately \$1 Million, all of which is necessary for the payment of unanticipated  
3 costs for City programs and projects currently in place; and

4 WHEREAS, there are no other reasonable means of financing the remaining cost  
5 of the Art Museum expansion available to the community, as the Museum Corporation  
6 and the City have no additional funds available to pay for the remaining costs; and

7 WHEREAS, Section 323 of the Redevelopment Plan for the Project provides for  
8 the Commission to pay all or part of the cost of the installation of publicly owned  
9 improvements inside or outside of the Project; and

10 WHEREAS, a joint public hearing of the Commission and City Council on the  
11 proposed Agreement was duly noticed in accordance with the requirements of Health and  
12 Safety Code Sections 33431, 33433 and 33679; and

13 WHEREAS, a summary report meeting the requirements of Health and Safety  
14 Code Section 33679 was available for public inspection prior to the joint public hearing  
15 consistent with the requirements of Health and Safety Code Section 33679; and

16 WHEREAS, on January 24, 2007, the Commission and City Council held a joint  
17 public hearing on the proposed Agreement, at which time the City Council reviewed and  
18 evaluated all of the information, testimony, and evidence presented during the joint  
19 public hearing; and

20 WHEREAS, all actions required by all applicable law with respect to the proposed  
21 Agreement have been taken in an appropriate and timely manner; and

22 WHEREAS, the City Council has reviewed the summary required pursuant to  
23 Health and Safety Code Section 33679 and evaluated other information provided to it  
24 pertaining to the findings required pursuant to those code sections; and

25 WHEREAS, on November 2, 2004, the City adopted a Mitigated Negative  
26 Declaration for the expansion of the Art Museum pursuant to the California  
27 Environmental Quality Act; and

28 WHEREAS, the City Council believes that the appropriation of funds for the  
expansion of the Art Museum is in the best interests of the City of Oceanside and the  
health, safety, and welfare of its residents, and in accord with the public purposes and

1 provisions of applicable state and local laws and requirements.

2 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as  
3 follows:

4 SECTION 1. The City Council hereby finds and determines that the Art Museum  
5 expansion will eliminate blight within the Project by providing for the proper reuse and  
6 redevelopment of a portion of the Project which was declared blighted for the reasons  
7 described above, and by attracting private investment to surrounding areas of the Project  
8 which have been declared blighted.

9 SECTION 2. The City Council hereby finds and determines that the Agreement  
10 and the Commission's payment of a portion of the costs of the Art Museum expansion is  
11 consistent with the provisions and goals of the Implementation Plan and the  
12 Redevelopment Plan.

13 SECTION 3. The City Council finds and determines that there are no other  
14 reasonable means of financing the remaining costs of the Art Museum expansion  
15 available to the community, other than the funds of the Commission.

16 SECTION 4. The City Council hereby finds and determines that the Art Museum  
17 expansion will be of benefit to the Project.

18 SECTION 5. The City Council hereby consents to the Commission's  
19 appropriation of the sum of One Million Dollars (\$1,000,000), plus interest at the rate  
20 earned by the City's investment portfolio, to be used to pay for costs of the Art Museum  
21 expansion pursuant to the Challenge Grant Agreement.

22 SECTION 6. The City Council hereby finds and determines that the Art Museum  
23 expansion is within the scope of the project covered by the Mitigated Negative  
24 Declaration which was previously approved.

25 SECTION 7. The City Clerk shall certify to the adoption of this Resolution.  
26  
27  
28

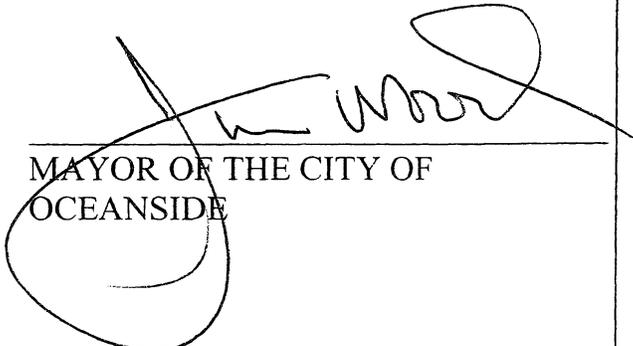
1 PASSED AND ADOPTED by the City Council of the City of Oceanside,  
2 California, this 24th day of January, 2007, by the following vote:

3 AYES: WOOD, CHAVEZ, FELLER, KERN, SANCHEZ

4 NAYS: NONE

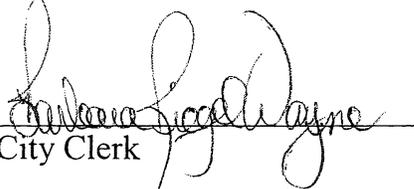
5 ABSENT: NONE

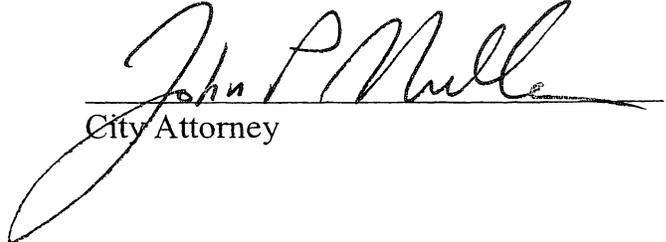
6 ABSTAIN: NONE

7  
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9   
MAYOR OF THE CITY OF  
OCEANSIDE

10  
11  
12 ATTEST:

APPROVED AS TO FORM:

13   
14  
15 City Clerk

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17  
18 City Attorney

19  
20 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
21 OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS  
22 BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE  
23 CITY OF OCEANSIDE FOR THE EXPANSION OF THE  
24 OCEANSIDE MUSEUM OF ART, AND MAKING CERTAIN  
25 FINDINGS IN CONNECTION THEREWITH.  
26  
27  
28

1 RESOLUTION NO. 07-R0032-3

2  
3 A RESOLUTION OF THE COMMUNITY DEVELOPMENT  
4 COMMISSION OF THE CITY OF OCEANSIDE  
5 APPROPRIATING FUNDS FOR THE EXPANSION OF THE  
6 OCEANSIDE MUSEUM OF ART, AND MAKING CERTAIN  
7 FINDINGS IN CONNECTION THEREWITH

8 WHEREAS, the Community Development Commission of the City of Oceanside  
9 (the "Commission") is engaged in activities necessary to carry out and implement the  
10 Redevelopment Plan for the Commission's Downtown Redevelopment Project (the  
11 "Project"); and

12 WHEREAS, the Oceanside Museum of Art, located at 704 Pier View Way in the  
13 City (the "Art Museum") on land leased from the City of Oceanside (the "City"), is a  
14 cultural and social hub for the Oceanside community, attracting national and international  
15 shows which reflect a variety of performing arts, including chamber music concerts,  
16 choral and dance performances, lectures, films, paintings, glass, sculpture, quilting and  
17 modern furniture; and

18 WHEREAS, the Oceanside Museum of Art, Inc. (the "Museum Corporation") has  
19 proposed to expand the Art Museum through the construction of a 15,880 square foot,  
20 three level central pavilion on the parking lot located adjacent to the Art Museum; and

21 WHEREAS, the expansion of the Art Museum was estimated to cost \$5.35  
22 Million, and as of 2005 the Museum Corporation had raised more than \$3 Million in  
23 private donations toward the expansion project; and

24 WHEREAS, pursuant to the terms of the Lease between the City and the Museum  
25 Corporation, the Art Museum and the expansion of the Art Museum will be owned by the  
26 City; and

27 WHEREAS, the City has entered into a "Challenge Grant Agreement" with the  
28 Museum Corporation, dated as of September 7, 2005, which requires the City to provide  
up to \$1 Million, plus interest at the rate earned by the City's investment portfolio, to  
match additional funds raised by the Museum Corporation for the expansion of the Art  
Museum, as an incentive for private parties to donate further funds for the Art Museum

1 expansion; and

2 WHEREAS, subsequent to the approval of the Challenge Grant Agreement the  
3 Museum Corporation has raised more than \$1 Million in additional funds for the  
4 expansion of the Art Museum, and has qualified to receive the additional funding from  
5 the City pursuant to the Challenge Grant Agreement; and

6 WHEREAS, the City has proposed that the Commission pay the \$1 Million grant,  
7 plus interest at the rate earned by the City's investment portfolio, payable pursuant to the  
8 Challenge Grant Agreement; and

9 WHEREAS, Section 33445 of the California Community Redevelopment Law  
10 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or  
11 part of the value of the land for and the cost of the installation and construction of any  
12 building, facility, structure, or other improvement which is publicly owned either within  
13 or without the project area upon certain findings; and

14 WHEREAS, Section 33679 of the California Community Redevelopment Law  
15 requires that before a redevelopment agency commits to use property tax increment funds  
16 to pay the cost of land for and installation and construction of publicly owned buildings,  
17 the legislative body shall hold a public hearing thereon; and

18 WHEREAS, prior to such public hearing the legislative body is required to give  
19 notice of the hearing and to make available for public inspection a summary report which  
20 estimates the amount of taxes proposed to be used to pay for such public facilities, which  
21 sets forth the facts supporting the determinations required to be made pursuant to Health  
22 and Safety Code Section 33445, and which sets forth the redevelopment purpose for  
23 which such taxes are being used; and

24 WHEREAS, the City Council has previously determined, in its adoption of the  
25 ordinance approving the Downtown Redevelopment Project, that the Project and the  
26 neighborhood of the Art Museum was blighted, with conditions including the lack of  
27 commercial investment by property owners and by businesses in the area, inadequate  
28 condition and location of existing public infrastructure, and the lack of tourist amenities  
and accommodations; and

WHEREAS, the Agreement would provide for the elimination of such blighting

1 conditions by providing for the construction of a high quality expansion to the existing  
2 Art Museum and related improvements in place of the previously blighted conditions,  
3 and would result in private investment in the downtown Oceanside area which would  
4 eliminate blight in those adjacent areas as well; and

5 WHEREAS, the Commission has adopted an Implementation Plan for the Project  
6 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives  
7 which include providing necessary public improvements to encourage desired private  
8 developments, attracting and supporting catalyst projects to spur additional reinvestment  
9 in the Project, and establishing downtown Oceanside as a business and visitor center for  
10 commerce, recreation, tourism, entertainment and residential uses for the existing  
11 community and visitors; and

12 WHEREAS, the Art Museum expansion would satisfy the above objectives of the  
13 Implementation Plan by providing for the expansion of the Art Museum, which will have  
14 the effect of expanding and enhancing an important cultural resource within Downtown  
15 Oceanside, which is expected to draw additional visitors to the downtown area, stimulate  
16 private development and investment within the downtown area and encourage economic  
17 and social activity within the City; and

18 WHEREAS, the Museum Corporation has raised funds for the construction of the  
19 Art Museum expansion which will pay for more than \$4 Million of the cost of the Art  
20 Museum expansion; and

21 WHEREAS, the Museum Corporation has transmitted a letter to the City and the  
22 Commission stating that the grant from the Challenge Grant Agreement is necessary for  
23 the payment of the costs of construction of the Art Museum expansion, that other funds  
24 which it has raised will be necessary for Phase 2 of the Art Museum expansion and the  
25 endowment fund for the operation of the Art Museum, and that it has no other funds  
26 available for construction costs; and

27 WHEREAS, the City Budget Manager has reported to the City and the  
28 Commission that the City currently has an unappropriated General Fund balance of  
approximately \$1 Million, all of which is necessary for the payment of unanticipated  
costs for City programs and projects currently in place; and

1           WHEREAS, there are no other reasonable means of financing the remaining cost  
2 of the Art Museum expansion available to the community, as the Museum Corporation  
3 and the City have no additional funds available to pay for the remaining costs; and

4           WHEREAS, Section 323 of the Redevelopment Plan for the Project provides for  
5 the Commission to pay all or part of the cost of the installation of publicly owned  
6 improvements inside or outside of the Project; and

7           WHEREAS, a joint public hearing of the Commission and City Council on the  
8 proposed Agreement was duly noticed in accordance with the requirements of Health and  
9 Safety Code Sections 33431, 33433 and 33679; and

10           WHEREAS, a summary report meeting the requirements of Health and Safety  
11 Code Section 33679 was available for public inspection prior to the joint public hearing  
12 consistent with the requirements of Health and Safety Code Section 33679; and

13           WHEREAS, on January 24, 2007, the Commission and City Council held a joint  
14 public hearing on the proposed Agreement, at which time the Commission reviewed and  
15 evaluated all of the information, testimony, and evidence presented during the joint  
16 public hearing; and

17           WHEREAS, all actions required by all applicable law with respect to the proposed  
18 Agreement have been taken in an appropriate and timely manner; and

19           WHEREAS, the Commission has reviewed the summary required pursuant to  
20 Health and Safety Code Section 33679 and evaluated other information provided to it  
21 pertaining to the findings required pursuant to those code sections; and

22           WHEREAS, on November 2, 2004, the City adopted a Mitigated Negative  
23 Declaration for the expansion of the Art Museum as the lead agency pursuant to the  
24 California Environmental Quality Act (“CEQA”); and

25           WHEREAS, no subsequent environmental impact report or negative declaration is  
26 required for the Art Museum expansion because there have been no substantial changes  
27 in the project, changes with respect to the circumstances under which the project is being  
28 implemented, or new information of substantial importance, which would require the  
preparation of a subsequent or supplemental environmental impact report or negative  
declaration as required by Sections 15162 or 15163 of the CEQA Guidelines; and

1           WHEREAS, the Commission has considered the Mitigated Negative Declaration,  
2 and all other evidence in the record relating to the Mitigated Negative Declaration,  
3 including all public comments thereon; and

4           WHEREAS, the Mitigated Negative Declaration reflects the Commission's own  
5 independent judgment; and

6           WHEREAS, the Commission believes that the appropriation of funds for the  
7 expansion of the Art Museum is in the best interests of the City of Oceanside and the  
8 health, safety, and welfare of its residents, and in accord with the public purposes and  
9 provisions of applicable state and local laws and requirements.

10          NOW, THEREFORE, the Community Development Commission of the City of  
11 Oceanside does resolve as follows:

12          SECTION 1. The Commission hereby finds and determines that the Art Museum  
13 expansion will eliminate blight within the Project by providing for the proper reuse and  
14 redevelopment of a portion of the Project which was declared blighted for the reasons  
15 described above, and by attracting private investment to surrounding areas of the Project  
16 which have been declared blighted.

17          SECTION 2. The Commission hereby finds and determines that the Agreement  
18 and the Commission's payment of a portion of the costs of the Art Museum expansion is  
19 consistent with the provisions and goals of the Implementation Plan and the  
20 Redevelopment Plan.

21          SECTION 3. The Commission finds and determines that there are no other  
22 reasonable means of financing the remaining costs of the Art Museum expansion  
23 available to the community, other than the funds of the Commission.

24          SECTION 4. The Commission hereby finds and determines that the Art Museum  
25 expansion will be of benefit to the Project.

26          SECTION 5. The Commission hereby appropriates the sum of One Million  
27 Dollars (\$1,000,000), plus interest at the rate earned by the City's investment portfolio, to  
28 be used to pay for costs of the Art Museum expansion pursuant to the Challenge Grant  
29 Agreement.

30          SECTION 6. The Commission hereby approves the Mitigated Negative

1 Declaration as a responsible agency. The Secretary of the Commission is hereby  
2 authorized and directed to file a Notice of Determination with the County of San Diego  
3 and the California Office of Planning and Research within five days hereof.

4 SECTION 7. The Commission Secretary shall certify to the adoption of this  
5 Resolution.

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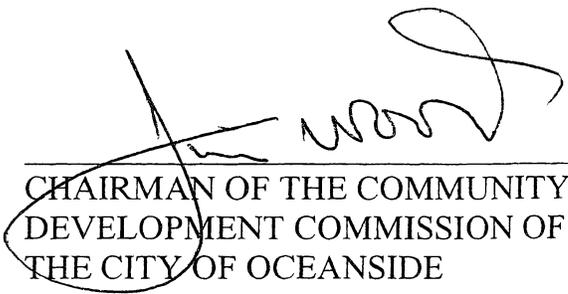
1 PASSED AND ADOPTED by the Community Development Commission of the  
2 City of Oceanside, California, this 24th day of January, 2007, by the following  
3 vote:

4 AYES: WOOD, CHAVEZ, FELLER, KERN, SANCHEZ

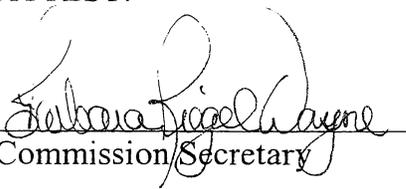
5 NAYS: NONE

6 ABSENT: NONE

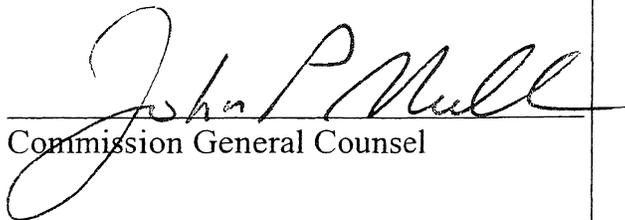
7 ABSTAIN: NONE

8  
9  
10   
11 CHAIRMAN OF THE COMMUNITY  
12 DEVELOPMENT COMMISSION OF  
13 THE CITY OF OCEANSIDE

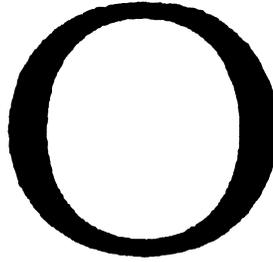
14 ATTEST:

15   
16 Commission Secretary

APPROVED AS TO FORM:

17   
18 Commission General Counsel

19 A RESOLUTION OF THE COMMUNITY  
20 DEVELOPMENT COMMISSION OF THE CITY OF  
21 OCEANSIDE APPROPRIATING FUNDS FOR THE  
22 EXPANSION OF THE OCEANSIDE MUSEUM OF ART,  
23 AND MAKING CERTAIN FINDINGS IN CONNECTION  
24 THEREWITH.  
25  
26  
27  
28



May 3, 2006

Steven R. Jepsen, City Manager  
City Of Oceanside  
300 North Coast Highway  
Oceanside, CA 92054

Dear Steve:

We are pleased to inform you that since the inception of the OMA Challenge Grant dated September 8, 2005, we have received more than the required \$1,000,000 and are well on our way toward starting construction of our new building in the next few months. In accordance with the terms of the Challenge Grant Agreement, Oceanside Museum of Art herewith transmits the Capital Campaign Status Report showing our current totals.

Per the Agreement, the City should now have \$1,000,000 set aside within its accounts for the OMA expansion which accrues interest to our benefit. If possible, we would like to receive a status of interest accrued to date.

Please call me if you require further information or documentation.

Thank you for your support of this important project.

Sincerely,

James R. Pahl  
Executive Director

Enclosures: Pre-9/8/05 OMA Capital Campaign Status Report dated May 3, 2006.  
Post-9/8/05 OMA Capital Campaign Status Report dated May 3, 2006.  
OMA Capital Campaign Status Report Summary dated May 3, 2006.

Print Date: 5/3/06

**OMA CAPITAL CAMPAIGN STATUS REPORT SUMMARY**  
**Report Dated May 3, 2006**

**PRE-9-8-05**

Board Members		
GRT	Pledge Paid to Date	Balance
\$743,705.33	\$43,397.59	\$34,992.41
\$79,500.00		
\$792,205.33		

Pre-9-8-05 Totals

Pre-9-8-05 Total Pledges  
 Pre-9-8-05 Total Gifts and Pledges

**Non-Board Members**

GRT	Total Pledge	Pledge Paid to Date	Balance
\$1,413,519.85	\$963,750.00	\$495,241.50	\$468,208.10
\$983,750.00			
\$2,377,269.85			

Pre-9-8-05 Campaign Total

**POST-9-8-05**

Board Members		
GRT	Pledge Paid to Date	Balance
\$33,160.00	\$1,304.56	\$7,900.00
\$9,204.56		
\$42,364.56		

Post-9-8-05 Totals

Post-9-8-05 Total Pledges  
 Post-9-8-05 Total Gifts and Pledges

**Non-Board Members**

GRT	Total Pledge	Pledge Paid to Date	Balance
\$865,043.46	\$102,000.00	\$500.00	\$50,500.00
\$162,000.00			
\$697,043.46			

Post-9-8-05 Campaign Total

**POST-9-8-05 CAMPAIGN TOTAL**  
**CAMPAIGN TOTAL TO DATE**

Pre-9-8-05 Non-Liquid Assets	\$658,688.00
Post-9-8-05 Non-Liquid Assets	\$32,570.00
Less Total Non-Liquid Assets	
Pre-9-8-05 Pledge Balance - Board Members	\$34,992.41
Post-9-8-05 Pledge Balance - Board Members	\$7,900.00
Less Pledge Balance - Board Members	
Pre-9-8-05 Pledge Balance - Non-Board Members	\$468,208.10
Post-9-8-05 Pledge Balance - Non-Board Members	\$50,500.00
Less Pledge Balance - Non-Board Members	
Less Expenditures To Date (See separate schedule)	
Plus Accrued Interest	\$22,527.27
<b>BALANCE - LIQUID ASSETS</b>	<b>\$2,585,800.86</b>

The signatories below certify the Occasdale Museum of Art's guarantee of the collection of all pledged Project gifts, donations and assets.

James R. Pahl  
 OMA Executive Director

Date

Sandra Kempler  
 President, OMA Board of Trustees

Date

## **Memorandum**

**To:** Honorable Mayor and Councilmembers   
**From:** Steven R. Jepsen, City Manager  
**Date:** May 12, 2006  
**Subject:** Oceanside Museum of Art \$1 million Challenge Grant

The Oceanside Museum of Art is pleased to inform the City of Oceanside that they have met their \$1 million matching goal to allow escrow of the City's matching funds. In accordance with our September 8, 2005, Challenge Grant Agreement, Section 4.3, the City will place matching funds in an interest bearing account on a quarterly basis (up to \$1 million) for use in constructing the Phase I Museum expansion. Our agreement further stipulates that City funds can only be drawn on after the Museum has spent fifty percent of their own funds towards the expansion.

We would expect to return to the City Council in a June meeting with an authorization request to formally establish the account as provided in our written agreement with the Oceanside Museum of Art. We will reconcile quarterly reports since September 8, 2005 to verify matching funds raised per the agreement and attribute interest to the account based on the City's overall portfolio return. The City Manager's office, Finance and the City Treasurer's office will work jointly on this effort.

Congratulations are due to the staff and Board of the Oceanside Museum of Art for making this important milestone in the Museum's expansion plans. The next step is the planning and construction of the Museum will be for the Museum board to assure that all funding availability is sufficient to pay for construction bid amounts prior to initiating construction on the expansion

SRJ:cg

cc: Rosemary Jones, City Treasurer  
Mike Blessing, Deputy City Manager  
Nita McKay, Financial Services Director  
Peter Weiss, Director of Public Works  
James R. Pahl, Executive Director OMA

## FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Amendment") is made and entered into this 7th day of November, 2001, by and between the City of Oceanside ("City") and the Oceanside Museum of Art, Inc. ("Museum").

### RECITALS

WHEREAS, the Museum currently leases space from the City more commonly known as 704 Pier View Way, Oceanside, CA ("Premises") pursuant to a Lease Between City of Oceanside and Oceanside Cultural Arts Foundation (Museum's predecessor in interest) dated June 28, 1995; a Memorandum of Lease Commencement Date of Lease between City of Oceanside and Oceanside Cultural Arts Foundation; and an Assignment of Lease (collectively the "Lease");

WHEREAS, the Museum is desirous of expanding the Premises and is interested in leasing the property generally located between the Premises and the City's Fire Station #1 Building ("Property"), as more particularly described on attached Exhibit "A", incorporated herein by this reference;

WHEREAS, the City intends to vacate the Fire Station #1 Building ("Fire Station Building") sometime in the future and the Museum is also interested in leasing the Fire Station Building when the City and its other tenant, vacates the Fire Station Building;

WHEREAS, the Museum is desirous of constructing a new building on the Property and to renovate the Fire Station Building (collectively the "Project"); and

WHEREAS, the Museum intends to raise funds for the design and construction of the Project. Further, the Museum shall demonstrate its ability to finance the Project before commencing construction.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein, the parties hereto agree as follows:

1. Subsection 2.1 Leased Premises. and Subsection 2.2 Exclusions from Leased Premises. shall be deleted in their entirety and replaced with the following language:

2.1 Leased Premises. The City leases to Museum and Museum leases from City, on the terms, covenants and conditions hereinafter set forth, that certain building (commonly known as "The Gill Building") located at 704 Pier View Way, City of Oceanside, County of San Diego, State of California ("Building") and the Property located directly adjacent to the Building as referenced above and as more particularly described in Exhibit "A-1" attached hereto and made a part hereof (collectively the "Premises"). Changes to the current uses of the Premises shall be restricted by the conditions listed in paragraph 7.3(f)(7) herein below.

2.2 Exclusions from Leased Premises. The Premises does not include the landscaping. Landscaping for the Project shall be installed by Museum and maintained by the City. Museum may install signs and banners as may from time to time be permitted by the City and in compliance with the Oceanside Zoning Ordinance. City shall permit Museum reasonable access to the Property for the purposes of this Lease.

2. Subsection 2.3 Additions to Leased Premises. shall be added to the Lease and shall read as follows:

2.3 Additions to Leased Premises. It is the intent of the City to construct and have in use a replacement station for the Fire Station Building within the next seven (7) fiscal years ending June 30, 2009. The City further agrees, as a good faith effort, to establish a funding mechanism for the replacement of the Fire Station Building within a five (5) year timeframe and provide for annual review by the City Council through the Capital Improvement Plan (CIP) review process. When the current uses of the Fire Station Building, including use by the Oceanside Historical Society cease, the City agrees to enter into another amendment to the Lease with the Museum to further expand and amend the Premises to include the Fire Station Building on the terms, covenants and conditions hereinafter set forth below.

3. Section 3. TERM shall be deleted in its entirety and replaced with the following language:

**3. TERM.**

3.1 Initial Term. The original term of the Lease commenced October 6, 1997. The term of the Lease as amended by this First Amendment to Lease, is to commence November 7, 2001 and terminate October 31, 2031, unless sooner terminated pursuant to any provisions of the Lease. The term of the Lease shall not be affected by Subsection 2.3 Additions to Leased Premises. set forth above.

3.2 Options to Extend Term. Subject to the conditions hereinafter set forth in this Section, Museum shall have the following options to extend the term of this Lease:

(a) A first option to extend the term upon its expiration for the further period of thirty (30) additional years upon the expiration of the initial term of the Lease upon the same terms, covenants, and conditions as are herein contained for the initial term except as to the options to extend.

(b) A second option to extend the term upon the expiration of the first extended term for the further period of thirty (30) additional years upon the same terms, covenants, and conditions as are herein contained for the first extended term except as to the options to extend.

(c) A third option to extend the term upon the expiration of the second extended term for the further period of thirty (30) additional years upon the same terms, covenants, and conditions as are herein contained for the second extended term except there will be no further options to extend.

3.3 Conditions of Option. The right to exercise each of said options is subject to the following conditions:

(a) Museum shall give written notice to the City of the exercise of the first option at least one hundred eighty (180) days prior to the expiration of the initial term of this Lease, and of the exercise of the second option at least one hundred eighty (180) days prior to the expiration of the first extended term and of the exercise of the third option at least one hundred eighty (180) days prior to the expiration of the second extended term; and

(b) That this Lease is in full force and effect at the time of the exercise of said options as well as at the commencement of the particular extended term; and

(c) At the time of the exercise of any option and at the commencement of the particular extended term, Museum shall not be in default in the observance or performance of any of the terms, covenants or conditions of this Lease.

4. Subsection 4.2 No Change in Minimum Rent. shall be added to the Lease and shall read as follows:

4.2 No Change in Minimum Rent. This Amendment to Lease and its incorporated expansion and amendment to Premises, and future anticipated additional expansion and amendment to Premises, shall not affect the Minimum Rent as set forth in the Lease.

5. Subsection 7.3(f) Alteration and Additions. shall be added to the Lease and shall read as follows:

(f) The Museum shall be solely responsible to raise the funds necessary for the design and construction of the Project.

(1) The selection of an architect for the design shall be as follows:

a) The Museum will form an Architect Selection Committee (“ASC”) and the City will be permitted to select a person to join the ASC.

b) The Museum will then select an architect and submit the selection to the City for final approval.

- c) If a nationally recognized renowned architect is selected, the City agrees to contribute up to one half of the architectural design fee. The amount of the contribution shall be determined, in the sole and absolute discretion of the City at the time the architect is selected.
- (2) The final design of the construction of the Project shall be submitted to the City for final approval. In addition, the design and construction process shall also comply with all necessary permit and environmental review procedures of the City. The City agrees to relocate utilities as required for the Project.
- (3) When and if applicable, the Museum will effect an historic restoration of the exterior of the Fire Station Building. The interior of the Fire Station Building can be redesigned to accommodate the Museum's needs. Provided, however, both the exterior and interior renovation and historic review shall be subject to the City's established approval process and subject to the final approval by the City Council.
- (4) The Museum shall demonstrate its ability to finance the Project before commencing construction per the Milestone Schedule and the Estimated Development Budget, attached hereto as Exhibits 'B' and 'C', respectively. Prepared plans and specifications along with a cost estimate shall be presented to the City along with evidence that the Museum has raised sufficient capital thereof, reasonably satisfactory to City. Verifiable pledges for payment within the anticipated time needed for the funds shall be deemed same as cash. The Museum will provide annual progress reports to the City Council during the capital campaign, which shall be held in conjunction with the annual report of City Staff on the progress of the relocation of Fire Station #1, per Paragraph 7.3(f)(5), below.
- (5) The City shall demonstrate a good faith effort to establish the financing for the relocation of Fire Station #1 within five (5) years following the execution of this Amendment and to construct and have in use a replacement station within seven (7) fiscal years ending June 30, 2009, following the execution of this Amendment. City Staff shall give annual reports to the City Council through the Capital Improvement Plan ("CIP") review process as to the progress of the funding and relocation of Fire Station #1. Should the City fail to achieve the time frame as stated in this paragraph for the funding and construction of a replacement station, the parties shall meet and confer to discuss a mutually agreeable adjusted schedule.
- (6) Pursuant to the Milestone Schedule (Exhibit 'B') the Museum shall not proceed with any event milestone without first accomplishing its related funding milestone. Furthermore, should the Museum fail to reach any funding milestone related to the Phase 1 design or construction of the Project, the parties shall meet and confer to discuss a mutually agreeable adjusted schedule. Failure to reach such agreement shall give the City the option to terminate this Amendment. After reaching all funding milestones related to Phase 1 of the Project, should the Museum

fail to reach any funding milestone related to the design and construction of Phase 2 of the Project, the parties shall meet and confer to discuss a mutually agreeable adjusted schedule. Failure to reach such agreement shall give the City the option to terminate only those portions of this Amendment related to the Fire Station #1 Building. The provisions of this Paragraph 7.3(f)(6) shall only apply to this Amendment, and not to the original Lease.

(7) Until such time as the Museum has demonstrated its ability to finance the Project per Paragraph 7.3(f)(4) above, the Property, which has been incorporated into the Premises herein, shall retain its use as a parking area to be used by City, at its sole discretion as to who shall and shall not be allowed to park there. Upon demonstrating its ability to finance the Project as set forth in this Amendment, the Museum shall give City notice to vacate the parking area no less than sixty (60) days prior to commencing construction.

(8) The City agrees to absorb all local (City controlled) and customary development permit processing and inspection fees associated with and necessary to entitle and construct the Project, including but not limited to the following:

- Application Processing Fees, including Conditional Use Permits, Variance, Development Plan Review
- Environmental Impact Review Fee
- Coastal Development Permit Processing Fee
- Building Department Plan Check Fees
- Building Department Permit Fees
- Energy Plan Check and Permit Fees
- ADA Plan Check and Permit fees
- SMIP
- Engineering Department Plan Check and Permit Fees, including Grading, Improvement, Erosion Control (SWPPP) and Landscape Plan Fees

The Museum agrees to pay all (City controlled) development impact fees customarily associated with the construction of the Project, including but not limited to the following:

- Public Facilities Fees
- Traffic / Thoroughfare Fee
- Drainage and Flood Control Fee
- Wastewater Buy-In Fee
- Water Buy-In Fee
- Water Meter Fee
- Inclusionary Housing Fee

The Museum agrees to pay all fees not controlled by the City, including but not limited to, Oceanside Unified School District fees and San Diego County Water Authority fees. The Museum also agrees to provide, or to induce its general contractor to provide, all customary performance bonds related to the Project.

6. Except as expressly modified by this Amendment, the Lease and all of its terms, conditions and covenants, shall remain in full force and effect. Should there be an ambiguity between the terms of the Lease and this Amendment, the terms of the Amendment shall prevail.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to Lease to be executed by their respective duly authorized representatives as of the date and year first above written.

“CITY”

CITY OF OCEANSIDE

By:   
City Manager

Approved as to form:

By:   
City Attorney

“MUSEUM”

OCEANSIDE MUSEUM OF ART, INC.  
a California non-profit corporation

By: 

Name: SANDRA CHANIS L.

Title: PRESIDENT BOARD OMA

**NOTARY ACKNOWLEDGEMENT OF MUSEUM'S SIGNATURE MUST BE ATTACHED**

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California }  
County of San Diego } ss.

On October 23, 2001, before me, Carla Indrier, Notary Public,  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")  
personally appeared Sandra Charis L.  
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Carla Indrier  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: First Amendment to Lease

Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_

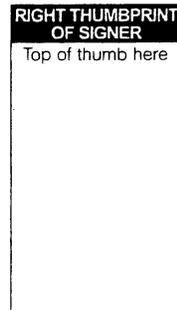
Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

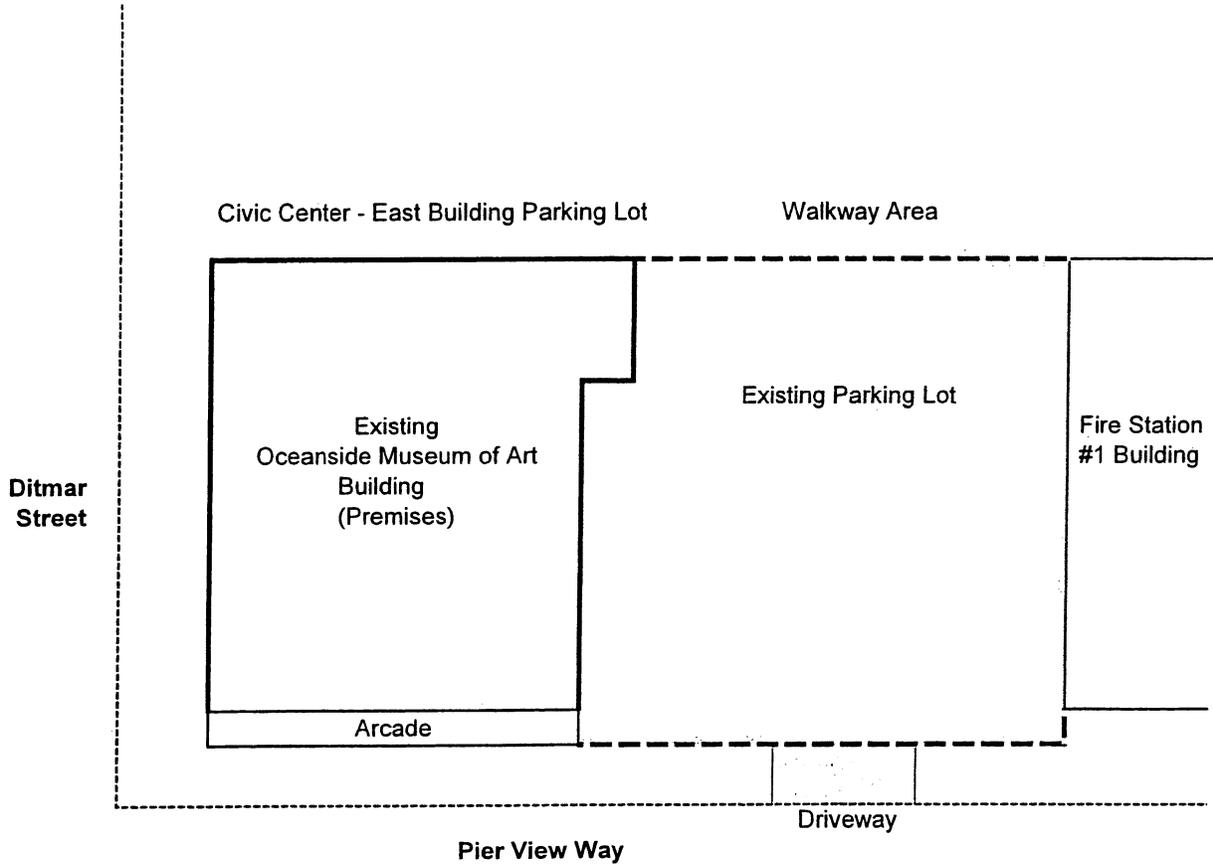
Signer's Name: \_\_\_\_\_

- Individual
- Corporate Officer — Title(s): \_\_\_\_\_
- Partner —  Limited  General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_

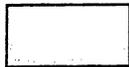


# EXHIBIT "A"



## SITE PLAN DIAGRAM - NO SCALE

**LEGEND:**



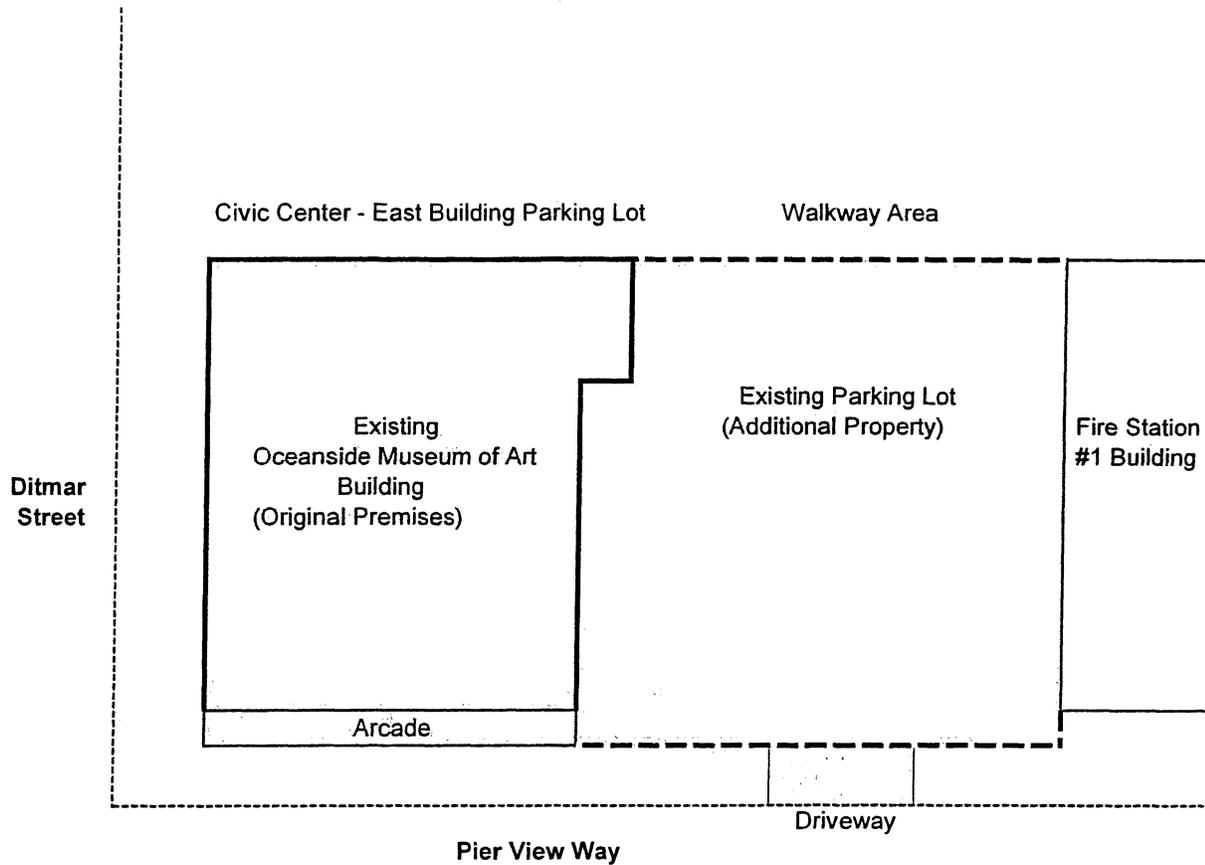
(Additional Property)

- Property to be added per the First Amendment to Lease
- Approx. 74 FT x 96 FT (7,104 SF +/-)
- Excluding areas for existing utilities

### CITY OF OCEANSIDE

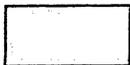
ADDITIONAL PROPERTY DESCRIPTION  
PARKING LOT ADJACENT TO 704 PIER VIEW WAY  
OCEANSIDE, CA

# EXHIBIT "A-1"



## SITE PLAN DIAGRAM - NO SCALE

**LEGEND:**



(Leased Premises)

- Total property per Lease and First Amendment
- Consisting of:
  - 5,196 SF (Original Premises - Gill Building)
  - 657 SF (Original Premises - Arcade Area)
  - 7,104 SF +/- (Additional Property - Existing Parking Lot)

### CITY OF OCEANSIDE

LEASED PREMISES DESCRIPTION  
 OCEANSIDE MUSEUM OF ART  
 704 PIER VIEW WAY AND ADJACENT PARKING LOT  
 OCEANSIDE, CA

**EXHIBIT 'B'**

**OCEANSIDE MUSEUM OF ART EXPANSION  
MILESTONES SCHEDULE**

<b>DATE MILESTONE</b>	<b>FUNDING MILESTONE</b>	<b>EVENT MILESTONE</b>
6/1/2002	\$500,000	Hire Architect
6/1/2003	\$1,000,000	Begin Working Drawings - Phase 1
6/1/2004	\$3,000,000	Start Construction - Phase 1
6/1/2005*	\$3,500,000	Begin Working Drawings - Phase 2
6/1/2006*	\$4,000,000	Start Construction - Phase 2

Phase 1 = Planning and construction of the new museum building on the Premises.

Phase 2 = Planning and renovation of Fire Station #1 (the Building).

\* These dates are for planning purposes only and may be affected by the timing and ability of the City to identify funding sources for, and the actual relocation of, Fire Station #1.

**EXHIBIT 'C'**

**OCEANSIDE MUSEUM OF ART EXPANSION  
ESTIMATED DEVELOPMENT BUDGET  
PHASE 1 : NEW MUSEUM BUILDING**

	<b>LINE ITEM DESCRIPTION</b>	<b>BUDGET</b>	<b>NOTES</b>
<b>100</b>	<b>ACQUISITION AND DEVELOPMENT</b>		
101	LAND ACQUISITION	\$0.00	Expansion of existing lease
102	CITY PERMIT FEES	\$0.00	Paid or waived by City per 7.3.8
103	CITY IMPACT FEES	\$37,972.00	Per Section 7.3.8 of Lease
104	SCHOOL FEES	\$3,696.00	\$0.33/SF
105	COUNTY FEES	\$3,206.00	SDCWA for new 1" meter
106	LOAN CLOSING COSTS	\$0.00	NA
<b>200</b>	<b>OFFSITES</b>		
201	UTILITY RELOCATION	\$0.00	BY CITY
202	DEMOLITION	\$10,000.00	
203	GRADING	\$23,000.00	
204	PRECISE GRADING	\$5,000.00	
205	SOILS IMPORT	\$0.00	NA
206	LANDSCAPING	\$13,200.00	2,200 SF @ \$6/SF
207	HARDSCAPE	\$26,400.00	4,400 SF @ \$6/SF
208	SITE WALLS	\$2,500.00	
209	MISC.METALS/RAILINGS-EXT	\$5,000.00	
<b>300</b>	<b>DIRECT CONSTRUCTION</b>		
301	BUILDING	\$1,568,000.00	11,200 SF X \$140/SF
302	GENERAL CONDITIONS	\$220,000.00	\$20,000/month X 11 months
303	CONTRACTOR FEE	\$357,600.00	20% of 301 + 302
<b>400</b>	<b>INDIRECT COSTS</b>		
401	ARCHITECT	\$257,472.00	12% of construction
402	CIVIL ENGINEER	\$30,000.00	
403	SOILS ENGINEER	\$10,000.00	
404	SURVEY	\$10,000.00	
405	PRINTS AND REPRO.	\$10,000.00	
406	LEGAL	\$10,000.00	
407	PROJECT MANAGEMENT	\$60,000.00	
408	PROPERTY TAXES	\$0.00	BY CITY
409	INSURANCE	\$30,000.00	
410	ACCOUNTING	\$20,000.00	
411	MISC. ADMIN. COSTS	\$14,275.00	
499	CONTINGENCY	\$272,679.00	10%
	<b>TOTAL</b>	<b>\$3,000,000.00</b>	

**EXHIBIT 'C'**

**OCEANSIDE MUSEUM OF ART EXPANSION  
ESTIMATED DEVELOPMENT BUDGET  
PHASE 2 : RENOVATION OF FIRE STATION #1**

	<b>LINE ITEM DESCRIPTION</b>	<b>BUDGET</b>	<b>NOTES</b>
<b>100</b>	<b>ACQUISITION AND DEVELOPMENT</b>		
101	LAND ACQUISITION	\$0.00	Expansion of existing lease
102	CITY PERMIT FEES	\$0.00	Paid or waived by City
103	CITY IMPACT FEES	\$0.00	Per Section 7.3.8 of Lease
104	SCHOOL FEES	\$0.00	NA
105	COUNTY FEES	\$0.00	NA
106	LOAN CLOSING COSTS	\$0.00	NA
<b>200</b>	<b>OFFSITES</b>		
201	UTILITY RELOCATION	\$0.00	BY CITY
202	DEMOLITION	\$20,000.00	
203	GRADING	\$0.00	
204	PRECISE GRADING	\$0.00	
205	SOILS IMPORT	\$0.00	NA
206	LANDSCAPING	\$5,000.00	
207	HARDSCAPE	\$10,000.00	
208	SITE WALLS	\$2,000.00	
209	MISC.METALS/RAILINGS-EXT	\$5,000.00	
<b>300</b>	<b>DIRECT CONSTRUCTION</b>		
301	BUILDING	\$546,000.00	7,800 SF X \$50/SF
302	GENERAL CONDITIONS	\$60,000.00	\$10,000/month X 6 months
303	CONTRACTOR FEE	\$121,200.00	20% OF 301 + 302
<b>400</b>	<b>INDIRECT COSTS</b>		
401	ARCHITECT	\$87,264.00	12% of construction
402	CIVIL ENGINEER	\$0.00	
403	SOILS ENGINEER	\$2,500.00	
404	SURVEY	\$0.00	
405	PRINTS AND REPRO.	\$5,000.00	
406	LEGAL	\$0.00	
407	PROJECT MANAGEMENT	\$20,000.00	
408	PROPERTY TAXES	\$0.00	BY CITY
409	INSURANCE	\$10,000.00	
410	ACCOUNTING	\$10,000.00	
411	MISC. ADMIN. COSTS	\$5,127.00	
499	CONTINGENCY	\$90,909.00	10%
	<b>TOTAL</b>	<b>\$1,000,000.00</b>	

**SUMMARY REPORT  
FOR PROPOSED FUNDING BY THE COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF OCEANSIDE  
FOR THE UNDERGROUNDING OF UTILITIES TO FACILITATE THE  
OCEANSIDE MUSEUM OF ART EXPANSION**

This report has been prepared in connection with a joint public hearing of the Oceanside City Council (the "City Council") and the Community Development Commission of the City of Oceanside (the "Commission") which is scheduled to be held in the Oceanside City Council Chambers at 300 North Coast Highway, Oceanside, on October 17, 2007 at 6:00 p.m., with respect to the Commission's payment of tax increment funds for the Commission's appropriation of \$191,149, to be used to fund the relocation of utilities associated with the expansion of the Oceanside Museum of Art (the "Art Museum").

The Oceanside Museum of Art, Inc. (the "Museum Corporation") is expanding the Art Museum through the construction of a 15,880 square foot, three level central pavilion on the parking lot located adjacent to the Art Museum. The expansion of the Art Museum was estimated to cost \$5.35 Million, and as of 2005 the Museum Corporation had raised more than \$3 Million in private donations toward the expansion project. Pursuant to the terms of the Lease between the City and the Museum Corporation, the Art Museum and the expansion of the Art Museum will be owned by the City. The First Amendment To the Lease between the City and the Museum Corporation, dated as of November 7, 2001, states the City agrees to relocate utilities as required for the expansion of the Art Museum.

Before the Commission commits to pay for the construction of publicly owned buildings, the City Council must hold a public hearing and make available a summary of the proposal. The summary is required to include the following:

- (a) Estimates of the amount of taxes proposed to be used to pay for land and construction of publicly owned buildings, including interest payments.
- (b) Facts supporting the required findings that the publicly owned buildings are of benefit to a project area or the immediate neighborhood of a project area or another project area, will assist in the elimination of blight within the redevelopment project area or provide housing for low- or moderate-income persons, that the facilities are consistent with the Implementation Plan for the project, and that no other reasonable means of financing the buildings is available to the community.

- (c) The redevelopment purpose of the expenditure.

This Summary Report has been prepared to satisfy the above requirements, which are set forth in Sections 33445 and 33679 of the California Health and Safety Code.

ATTACHMENT # 3

**A. Estimate of the Amount of Taxes Proposed to be Used to Pay for Land and Construction of Publicly Owned Buildings, Including Interest Payments (*Health and Safety Code Section 33679(a)*)**

The Commission proposes to pay \$191,149 for the relocation of utilities as required for the Art Museum expansion.

**B. Facts Supporting the Determinations Required to be Made by the City Council Pursuant to Section 33445 of the Health and Safety Code**

***(Health and Safety Code Section 33679(b))***

**1. *Buildings, Facilities, Structures or Other Improvements are of Benefit to the Project Area or the Immediate Neighborhood in Which the Project is Located (Health and Safety Code Section 33445(1))***

The expansion of the Art Museum will be of benefit to the Project by expanding and enhancing an important cultural resource within Downtown Oceanside for both residents of the City and visitors to the City. The Art Museum expansion is expected to have a catalyst effect of the Project, by drawing additional visitors to the downtown area, stimulating private development and investment within the downtown area, and encourage economic and social activity within the downtown area.

**2. *There is No Other Reasonable Means of Financing Such Buildings, Facilities, Structures, or Other Improvements Available to the Community (Health and Safety Code Section 33445(2))***

As stated above, the Commission proposes to fund the relocation of the utilities in accordance with the First Amendment to the Lease, section 5(f)(2). This cost cannot reasonably be expected to be financed through other means available to the community. The Museum Corporation has no additional funds available to pay for the remaining costs. The Museum Corporation has transmitted a letter to the City and the Commission stating that the utility relocation funds are necessary for the payment of the costs of construction of the Art Museum expansion, that other funds which it has raised will be necessary for Phase 2 of the Art Museum expansion and the endowment fund for the operation of the Art Museum, and that it has no other funds available for construction costs. The City has no additional funds available to pay for such costs. The City currently has an unappropriated General Fund balance of approximately 1.9 million, all of which is necessary for the payment of unanticipated costs for City programs and projects currently in place. The Commission's primary source of funding, tax increment, is the only reasonable source of funding which is expected to be available to pay for the utility relocation to help fund the expansion of the Art Museum.

**3. *The Payment of Funds for the Acquisition of Land or the Cost of Buildings, Facilities, Structures or Other Improvements Will Assist in the Elimination of One or More Blighting Conditions Inside the Project Area, and is Consistent With the Implementation Plan adopted pursuant to Section 33490 (Health and Safety Code Section 33445(a)(3))***

In the Report to the City Council prepared by the Commission with respect to the City's adoption of the Project, the Commission found that the Project Area was characterized by deterioration and dilapidation of buildings; inadequate area parking; incompatible land uses; inadequate shape and size of parcels, inadequate condition and location of existing public infrastructure; beach erosion; and the potential of toxic and hazardous materials. Examples of specific physical blighting conditions found within the Project Area included vacant or underutilized land, building code violations, age and obsolescence of improvements, and the lack of tourist amenities and accommodations. The Commission's 2005-09 Implementation Plan stated that the blighted economic conditions still found in the Project Area are characterized by a historic lack of commercial investment by property owners and by businesses in the area; and a high commercial vacancy factor. One of the examples of economic blight discussed in the Implementation Plan was the lack of tourist accommodations and activities. The Implementation Plan stated that the Project Area also has serious infrastructure deficiencies. The expansion of the Art Museum will provide additional public improvements and public facilities which will assist to eliminate some of those blighting conditions which were identified in the Report to the City Council and the 2005-09 Implementation Plan. The expansion of the Art Museum will upgrade public infrastructure and provide additional tourist amenities, which is anticipated to stimulate private investment in real property in the downtown area, and to improve and maintain property values within the Project.

The payment of a portion of the costs of the Art Museum expansion will be consistent with the Implementation Plan for the Project, which identifies goals and objectives which include providing necessary public improvements to encourage desired private developments, attracting and supporting catalyst projects to spur additional reinvestment in the Project, and establishing downtown Oceanside as a business and visitor center for commerce, recreation, tourism, entertainment and residential uses for the existing community and visitors. The Art Museum expansion would satisfy the above objectives of the Implementation Plan by providing for the expansion of the Art Museum, which will have the effect of expanding and enhancing an important cultural resource within Downtown Oceanside, which is expected to draw additional visitors to the downtown area, stimulate private development and investment within the downtown area and encourage economic and social activity within the City.

**C. *The Redevelopment Purpose for Which Such Taxes are Being Used to Pay for the Land and Construction of Such Publicly Owned Buildings(Health and Safety Code Section 33679(c))***

The Redevelopment Law states that the provision of public improvements is a fundamental purpose of redevelopment. The definition of "redevelopment" within the California Community Redevelopment Law includes "the provision of those . . . public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare" (Health and Safety Code Section 33020), and the "Provision for . . . public or private buildings, structures and improvements, and improvements of public or private recreation areas and other public grounds" (Health and Safety Code Section 33021(b)). The financing the costs to relocate utilities to facilitate the expansion of the Art Museum would satisfy the above purposes by making available public structures and spaces which are integral to the proper functioning of the Project.

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

**A RESOLUTION OF THE COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF OCEANSIDE APPROVING THE  
APPROPRIATION OF FUNDS FOR THE RELOCATION OF UTILITIES  
ASSOCIATED WITH THE EXPANSION OF THE OCEANSIDE  
MUSEUM OF ART, AND MAKING CERTAIN FINDINGS IN  
CONNECTION THEREWITH**

**WHEREAS**, the Community Development Commission of the City of Oceanside (the “Commission”) is engaged in activities necessary to carry out and implement the Redevelopment Plan for the Commission’s Downtown Redevelopment Project (the “Project”); and

**WHEREAS**, the Oceanside Museum of Art, located at 704 Pier View Way in the City (the “Art Museum”) on land leased from the City of Oceanside (the “City”), is a cultural and social hub for the Oceanside community, attracting national and international shows which reflect a variety of performing arts, including chamber music concerts, choral and dance performances, lectures, films, paintings, glass, sculpture, quilting and modern furniture; and

**WHEREAS**, the Oceanside Museum of Art, Inc. (the “Museum Corporation”) is expanding the Art Museum through the construction of a 15,880 square foot, three level central pavilion on the parking lot located adjacent to the Art Museum; and

**WHEREAS**, the expansion of the Art Museum was estimated to cost \$5.35 Million, and as of 2005 the Museum Corporation had raised more than \$3 Million in private donations toward the expansion project; and

**WHEREAS**, pursuant to the terms of the Lease between the City and the Museum Corporation, the Art Museum and the expansion of the Art Museum will be owned by the City; and

**WHEREAS**, on January 24, 2007, the Commission and City Council held a joint public hearing before the redevelopment agency committed to use \$1 Million plus interest in property tax increment funds to pay the cost of land for and installation and construction of publicly owned buildings, in accordance with Section 33679 of the California Community Redevelopment Law, at which time the Commission reviewed and evaluated all of the information, testimony, and evidence presented during the joint public hearing; and

1           **WHEREAS**, Resolution Number 07-R0032-3, of the Community Development  
2 Commission of the City of Oceanside approved the appropriation of \$1 Million plus interest funded by  
3 the Community Development Commission for the Expansion of the Oceanside Museum of Art, and  
4 made certain findings in connection therewith, those findings are incorporated herein by reference; and

5           **WHEREAS**, on November 7, 2001, the City Council of the City of Oceanside and the  
6 Oceanside Museum of Art entered into that certain "First Amendment to the Lease Agreement"; and

7           **WHEREAS**, Section 5(f)(2) of the "First Amendment to the Lease Agreement" states  
8 "*The City agrees to relocate utilities as required for the Project.*"; and

9           **WHEREAS**, the Museum Corporation has transmitted a letter to the City and  
10 Commission stating that the funding to relocate utilities is necessary for the payment of the costs of  
11 construction of the Art Museum expansion, that other funds which it has raised will be necessary for  
12 Phase 2 of the Art Museum expansion and the endowment fund for the operation of the Art Museum,  
and that it has no other funds available for construction costs; and

13           **WHEREAS**, the City Budget Manager has reported to the City and the Commission that  
14 the City currently has an unappropriated General Fund balance of approximately \$1.9 Million, all of  
15 which is necessary for the payment of unanticipated costs for City programs and projects currently in  
16 place; and

17           **WHEREAS**, by the reasons set forth above and in Resolution 07-R0032-3, there are no  
18 other reasonable means of financing the remaining cost of the Art Museum expansion available to the  
19 community, as the Museum Corporation has no additional funds available to pay for the remaining  
20 costs, and the City has no funds available to pay such costs, without obtaining such funds from its  
21 reserve accounts which are currently maintained at or below fiscally prudent levels; and

22           **WHEREAS**, Section 33445 of the California Community Redevelopment Law  
23 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or part of the  
24 value of the land for and the cost of the installation and construction of any building, facility, structure,  
25 or other improvement which is publicly owned either within or without the project area upon certain  
findings; and

26           **WHEREAS**, Section 33679 of the California Community Redevelopment Law requires  
27 that before a redevelopment agency commits to use property tax increment funds to pay the cost of land  
28 for and installation and construction of publicly owned buildings, the legislative body shall hold a  
public hearing thereon; and

1           **WHEREAS**, prior to such public hearing the legislative body is required to give notice  
2 of the hearing and to make available for public inspection a summary report which estimates the  
3 amount of taxes proposed to be used to pay for such public facilities, which sets forth the facts  
4 supporting the determinations required to be made pursuant to Health and Safety Code Section 33445,  
5 and which sets forth the redevelopment purpose for which such taxes are being used; and

6           **WHEREAS**, the City Council and Commission has previously determined, in its  
7 adoption of the ordinance approving the Downtown Redevelopment Project, that the Project and the  
8 neighborhood of the Art Museum was blighted, with conditions including the lack of commercial  
9 investment by property owners and by businesses in the area, inadequate condition and location of  
10 existing public infrastructure, and the lack of tourist amenities and accommodations; and

11           **WHEREAS**, the Agreement would provide for the elimination of such blighting  
12 conditions by providing for the construction of a high quality expansion to the existing Art Museum and  
13 related improvements in place of the previously blighted conditions, and would result in private  
14 investment in the downtown Oceanside area which would eliminate blight in those adjacent areas as  
15 well; and

16           **WHEREAS**, the Commission has adopted an Implementation Plan for the Project  
17 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives which include  
18 providing necessary public improvements to encourage desired private developments, attracting and  
19 supporting catalyst projects to spur additional reinvestment in the Project, and establishing downtown  
20 Oceanside as a business and visitor center for commerce, recreation, tourism, entertainment and  
21 residential uses for the existing community and visitors; and

22           **WHEREAS**, the utility relocation for the Art Museum would satisfy the above  
23 objectives of the Implementation Plan by providing for the expansion of the Art Museum, which will  
24 have the effect of expanding and enhancing an important cultural resource within Downtown  
25 Oceanside, which is expected to draw additional visitors to the downtown area, stimulate private  
26 development and investment within the downtown area and encourage economic and social activity  
27 within the City; and

28           **WHEREAS**, Section 323 of the Redevelopment Plan for the Project provides for the  
Commission to pay all or part of the cost of the installation of publicly owned improvements inside or  
outside of the Project; and

1           **WHEREAS**, a joint public hearing of the Commission and City Council on the  
2 proposed Agreement was duly noticed in accordance with the requirements of Health and Safety Code  
3 Sections 33431, 33433 and 33679; and

4           **WHEREAS**, a summary report meeting the requirements of Health and Safety Code  
5 Section 33679 was available for public inspection prior to the joint public hearing consistent with the  
6 requirements of Health and Safety Code Section 33679; and

7           **WHEREAS**, all actions required by all applicable law with respect to the proposed  
8 Agreement have been taken in an appropriate and timely manner; and

9           **WHEREAS**, on November 2, 2004, the City adopted a Mitigated Negative Declaration  
10 for the expansion of the Art Museum pursuant to the California Environmental Quality Act; and

11           **WHEREAS**, no subsequent environmental review is required because there have been  
12 no substantial changes to the project, changes in the implementation of the project or new information  
13 of substantial importance pursuant to sections 15162 or 15163 of the CEQA guidelines; and

14           **WHEREAS**, the Commission has reviewed the summary required pursuant to Health  
15 and Safety Code Section 33679 and evaluated other information provided to it pertaining to the findings  
16 required pursuant to those code sections; and

17           **WHEREAS**, an appropriation of \$191,149 in Redevelopment Funds is required for  
18 utility relocation to facilitate the expansion of the Oceanside Museum of Art; and

19           **WHEREAS**, with this payment for utility relocation, the City and Commission will fully  
20 satisfy all past financial contractual obligations with respect to the Oceanside Museum of Art  
21 expansion project; and

22           **WHEREAS**, on \_\_\_\_\_, the Commission and City Council held a  
23 joint public hearing on the proposed Agreement, at which time the City Council reviewed and evaluated  
24 all of the information, testimony, and evidence presented during the joint public hearing; and

25           **WHEREAS**, Resolution Number \_\_\_\_\_ of the Community  
26 Development Commission of the City of Oceanside approved the appropriation of funds by the  
27 Community Development Commission for the Expansion of the Oceanside Museum of Art, and made  
28 certain findings in connection therewith; and

**WHEREAS**, the Community Development Commission believes that the  
appropriation of funds for the relocation of utilities for the Art Museum is in the best interests of the

1 City of Oceanside and the health, safety, and welfare of its residents, and in accord with the public  
2 purposes and provisions of applicable state and local laws and requirements.

3 **NOW, THEREFORE, BE IT RESOLVED** by the Community Development  
4 Commission of the City of Oceanside as follows:

5 1. The Commission hereby finds and determines that the Art Museum  
6 expansion will eliminate blight within the Project by providing for the proper reuse and redevelopment  
7 of a portion of the Project which was declared blighted for the reasons described above, and by  
8 attracting private investment to surrounding areas of the Project which have been declared blighted.

9 2. The Commission hereby finds and determines that the Agreement and the  
10 Commission's payment of a portion of the costs of the Art Museum expansion is consistent with the  
11 provisions and goals of the Implementation Plan and the Redevelopment Plan.

12 3. The Commission finds and determines that there are no other reasonable  
13 means of financing the remaining costs of the Art Museum expansion available to the community, other  
14 than the funds of the Commission.

15 4. The Commission hereby finds and determines that the Art Museum  
16 expansion will be of benefit to the Project.

17 5. The Commission hereby appropriates the sum of One Hundred Ninety-  
18 One Thousand One-Hundred Forty-Nine Dollars (\$191,149) to be used to pay for utility relocation costs  
19 of the Art Museum expansion pursuant to the "First Amendment to the Lease Agreement".

20 6. The Commission hereby finds and determines that the Art Museum  
21 expansion, including the utility relocation, is within the scope of the project covered by the Mitigated  
22 Negative Declaration which was previously adopted on November 2, 2004.

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1                               7.     The Commission Secretary shall certify to the adoption of this  
2 Resolution.

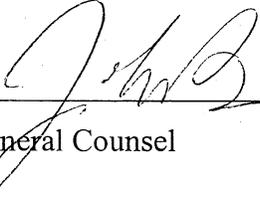
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4                               The foregoing Resolution is hereby approved this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

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6 \_\_\_\_\_  
7 Mayor

8 ATTEST:

APPROVED AS TO FORM:

9  
10 \_\_\_\_\_  
11 Commission Secretary

12   
13 \_\_\_\_\_  
14 General Counsel

15 I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Community  
16 Development Commission of the City of Oceanside at a regular meeting hereof, held on the \_\_\_\_\_ day of  
17 \_\_\_\_\_, 2007 by the following vote, to wit:

18 AYES:

19 NOES

20 ABSENT:

21 ABSTAIN:

22 COMMUNITY DEVELOPMENT COMMISSION

23 By: \_\_\_\_\_

24 Commission Secretary

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26  
27 A RESOLUTION OF THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF  
28 OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS FOR THE RELOCATION OF  
UTILITIES ASSOCIATED WITH THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART, AND  
MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH

1 RESOLUTION NO. \_\_\_\_\_  
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3 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF**  
4 **OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS BY THE**  
5 **COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF**  
6 **OCEANSIDE FOR THE RELOCATION OF UTILITIES ASSOCIATED**  
7 **WITH THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART,**  
8 **AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH**

9 **WHEREAS**, the Community Development Commission of the City of Oceanside (the  
10 "Commission") is engaged in activities necessary to carry out and implement the Redevelopment Plan  
11 for the Commission's Downtown Redevelopment Project (the "Project"); and

12 **WHEREAS**, the Oceanside Museum of Art, located at 704 Pier View Way in the City  
13 (the "Art Museum") on land leased from the City of Oceanside (the "City"), is a cultural and social hub  
14 for the Oceanside community, attracting national and international shows which reflect a variety of  
15 performing arts, including chamber music concerts, choral and dance performances, lectures, films,  
16 paintings, glass, sculpture, quilting and modern furniture; and

17 **WHEREAS**, the Oceanside Museum of Art, Inc. (the "Museum Corporation") is  
18 expanding the Art Museum through the construction of a 15,880 square foot, three level central pavilion  
19 on the parking lot located adjacent to the Art Museum; and

20 **WHEREAS**, the expansion of the Art Museum was estimated to cost \$5.35 Million, and  
21 as of 2005 the Museum Corporation had raised more than \$3 Million in private donations toward the  
22 expansion project; and

23 **WHEREAS**, pursuant to the terms of the Lease between the City and the Museum  
24 Corporation, the Art Museum and the expansion of the Art Museum will be owned by the City; and

25 **WHEREAS**, on January 24, 2007, the Commission and City Council held a joint public  
26 hearing before the redevelopment agency committed to use \$1 Million plus interest in property tax  
27 increment funds to pay the cost of land for and installation and construction of publicly owned  
28 buildings, in accordance with Section 33679 of the California Community Redevelopment Law, at  
which time the Commission reviewed and evaluated all of the information, testimony, and evidence  
presented during the joint public hearing; and

1           **WHEREAS**, Resolution Number 07-R0031-1, of the City Council of the City of  
2 Oceanside approved the appropriation of \$1 Million plus interest funded by the Community  
3 Development Commission for the Expansion of the Oceanside Museum of Art, and made certain  
4 findings in connection therewith, those findings are incorporated herein by reference; and

5           **WHEREAS**, on November 7, 2001, the City Council of the City of Oceanside and the  
6 Oceanside Museum of Art entered into that certain "First Amendment to the Lease Agreement"; and

7           **WHEREAS**, Section 5(f)(2) of the "First Amendment to the Lease Agreement" states  
8 "*The City agrees to relocate utilities as required for the Project.*"; and

9           **WHEREAS**, the Museum Corporation has transmitted a letter to the City and  
10 Commission stating that the funding to relocate utilities is necessary for the payment of the costs of  
11 construction of the Art Museum expansion, that other funds which it has raised will be necessary for  
12 Phase 2 of the Art Museum expansion and the endowment fund for the operation of the Art Museum,  
and that it has no other funds available for construction costs; and

13           **WHEREAS**, the City Budget Manager has reported to the City and the Commission that  
14 the City currently has an unappropriated General Fund balance of approximately \$1.9 Million, all of  
15 which is necessary for the payment of unanticipated costs for City programs and projects currently in  
16 place; and

17           **WHEREAS**, by the reasons set forth above and in Resolution 07-R0032-3, there are no  
18 other reasonable means of financing the remaining cost of the Art Museum expansion available to the  
19 community, as the Museum Corporation has no additional funds available to pay for the remaining  
20 costs, and the City has no funds available to pay such costs, without obtaining such funds from its  
21 reserve accounts which are currently maintained at or below fiscally prudent levels; and

22           **WHEREAS**, Section 33445 of the California Community Redevelopment Law  
23 authorizes a redevelopment agency, with the consent of the legislative body, to pay all or part of the  
24 value of the land for and the cost of the installation and construction of any building, facility, structure,  
25 or other improvement which is publicly owned either within or without the project area upon certain  
26 findings; and

27           **WHEREAS**, Section 33679 of the California Community Redevelopment Law requires  
28 that before a redevelopment agency commits to use property tax increment funds to pay the cost of land

1 for and installation and construction of publicly owned buildings, the legislative body shall hold a  
2 public hearing thereon; and

3           **WHEREAS**, prior to such public hearing the legislative body is required to give notice  
4 of the hearing and to make available for public inspection a summary report which estimates the  
5 amount of taxes proposed to be used to pay for such public facilities, which sets forth the facts  
6 supporting the determinations required to be made pursuant to Health and Safety Code Section 33445,  
7 and which sets forth the redevelopment purpose for which such taxes are being used; and

8           **WHEREAS**, the City Council has previously determined, in its adoption of the  
9 ordinance approving the Downtown Redevelopment Project, that the Project and the neighborhood of  
10 the Art Museum was blighted, with conditions including the lack of commercial investment by property  
11 owners and by businesses in the area, inadequate condition and location of existing public  
12 infrastructure, and the lack of tourist amenities and accommodations; and

13           **WHEREAS**, the Agreement would provide for the elimination of such blighting  
14 conditions by providing for the construction of a high quality expansion to the existing Art Museum and  
15 related improvements in place of the previously blighted conditions, and would result in private  
16 investment in the downtown Oceanside area which would eliminate blight in those adjacent areas as  
17 well; and

18           **WHEREAS**, the Commission has adopted an Implementation Plan for the Project  
19 pursuant to Health and Safety Code Section 33490, which identifies goals and objectives which include  
20 providing necessary public improvements to encourage desired private developments, attracting and  
21 supporting catalyst projects to spur additional reinvestment in the Project, and establishing downtown  
22 Oceanside as a business and visitor center for commerce, recreation, tourism, entertainment and  
23 residential uses for the existing community and visitors; and

24           **WHEREAS**, the utility relocation for the Art Museum would satisfy the above  
25 objectives of the Implementation Plan by providing for the expansion of the Art Museum, which will  
26 have the effect of expanding and enhancing an important cultural resource within Downtown  
27 Oceanside, which is expected to draw additional visitors to the downtown area, stimulate private  
28 development and investment within the downtown area and encourage economic and social activity  
within the City; and

1           **WHEREAS**, Section 323 of the Redevelopment Plan for the Project provides for the  
2 Commission to pay all or part of the cost of the installation of publicly owned improvements inside or  
3 outside of the Project; and

4           **WHEREAS**, a joint public hearing of the Commission and City Council on the  
5 proposed Agreement was duly noticed in accordance with the requirements of Health and Safety Code  
6 Sections 33431, 33433 and 33679; and

7           **WHEREAS**, a summary report meeting the requirements of Health and Safety Code  
8 Section 33679 was available for public inspection prior to the joint public hearing consistent with the  
9 requirements of Health and Safety Code Section 33679; and

10           **WHEREAS**, all actions required by all applicable law with respect to the proposed  
11 Agreement have been taken in an appropriate and timely manner; and

12           **WHEREAS**, on November 2, 2004, the City adopted a Mitigated Negative Declaration  
13 for the expansion of the Art Museum pursuant to the California Environmental Quality Act; and

14           **WHEREAS**, no subsequent environmental review is required because there have been  
15 no substantial changes to the project, changes in the implementation of the project or new information  
16 of substantial importance pursuant to sections 15162 or 15163 of the CEQA guidelines; and

17           **WHEREAS**, the City Council has reviewed the summary required pursuant to Health  
18 and Safety Code Section 33679 and evaluated other information provided to it pertaining to the findings  
19 required pursuant to those code sections; and

20           **WHEREAS**, an appropriation of \$191,149 in Redevelopment Funds is required for  
21 utility relocation to facilitate the expansion of the Oceanside Museum of Art; and

22           **WHEREAS**, with this payment for utility relocation, the City and Commission will fully  
23 satisfy all past financial contractual obligations with respect to the Oceanside Museum of Art  
24 expansion project; and

25           **WHEREAS**, on \_\_\_\_\_, the Commission and City Council held a  
26 joint public hearing on the proposed Agreement, at which time the City Council reviewed and evaluated  
27 all of the information, testimony, and evidence presented during the joint public hearing; and

28           **WHEREAS**, Resolution Number \_\_\_\_\_ of the City Council of the City  
of Oceanside approved the appropriation of funds by the Community Development Commission for the  
Expansion of the Oceanside Museum of Art, and made certain findings in connection therewith; and

1           **WHEREAS**, the City Council believes that the appropriation of funds for the relocation  
2 of utilities for the Art Museum is in the best interests of the City of Oceanside and the health, safety,  
3 and welfare of its residents, and in accord with the public purposes and provisions of applicable state  
4 and local laws and requirements.

5           **NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of  
6 Oceanside as follows:

7           1.       The City Council hereby finds and determines that the Art Museum  
8 expansion will eliminate blight within the Project by providing for the proper reuse and redevelopment  
9 of a portion of the Project which was declared blighted for the reasons described above, and by  
10 attracting private investment to surrounding areas of the Project which have been declared blighted.

11           2.       The City Council hereby finds and determines that the Agreement and the  
12 Commission's payment of a portion of the costs of the Art Museum expansion is consistent with the  
13 provisions and goals of the Implementation Plan and the Redevelopment Plan.

14           3.       The City Council finds and determines that there are no other reasonable  
15 means of financing the remaining costs of the Art Museum expansion available to the community, other  
16 than the funds of the Commission.

17           4.       The City Council hereby finds and determines that the Art Museum  
18 expansion will be of benefit to the Project.

19           5.       The City Council hereby appropriates the sum of One Hundred Ninety-  
20 One Thousand One-Hundred Forty-Nine Dollars (\$191,149) to be used to pay for utility relocation costs  
21 of the Art Museum expansion pursuant to the "First Amendment to the Lease Agreement".

22           6.       The City Council hereby finds and determines that the Art Museum  
23 expansion, including the utility relocation, is within the scope of the project covered by the Mitigated  
24 Negative Declaration which was previously adopted on November 2, 2004.

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7. The City Clerk shall certify to the adoption of this Resolution.

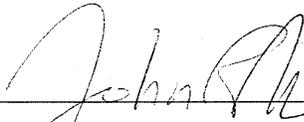
The foregoing Resolution is hereby approved this \_\_\_\_\_ day of \_\_\_\_\_, 2007.

\_\_\_\_\_  
Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
City Clerk

  
\_\_\_\_\_  
City Attorney

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the City Council of the City of Oceanside at a regular meeting hereof, held on the \_\_\_\_\_ day of \_\_\_\_\_, 2007 by the following vote, to wit:

AYES:

NOES

ABSENT:

ABSTAIN:

CITY OF OCEANSIDE

By: \_\_\_\_\_

City Clerk

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OCEANSIDE APPROVING THE APPROPRIATION OF FUNDS BY THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF OCEANSIDE FOR THE RELOCATION OF UTILITIES ASSOCIATED WITH THE EXPANSION OF THE OCEANSIDE MUSEUM OF ART, AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH