

ITEM NO. 6

STAFF REPORT

SUCCESSOR AGENCY CITY OF OCEANSIDE

DATE: June 11, 2013

TO: The Oversight Board of the City of Oceanside Successor Agency

FROM: Property Management

SUBJECT: **ADOPTION OF A RESOLUTION APPROVING THE LONG-RANGE PROPERTY MANAGEMENT PLAN THAT ADDRESSES THE DISPOSITION AND USE OF REAL PROPERTIES**

SYNOPSIS

Staff is recommending that the Oversight Board of the City of Oceanside Successor Agency adopt a resolution approving the Long-Range Property Management Plan that addresses the disposition and use of the real properties owned by the City of Oceanside Successor Agency.

BACKGROUND

The State of California Assembly Bill X1 26, the "Dissolution Act", dissolved all redevelopment agencies in California, including the Oceanside Redevelopment Agency ("Former Agency"). As part of the dissolution of the Former Agency, the City Council adopted a resolution electing to have the City of Oceanside serve as the successor agency to the Oceanside Redevelopment Agency ("Successor Agency").

Pursuant to Assembly Bill 1484 ("AB 1484"), within six months after receiving a finding of completion from the California Department of Finance ("DOF"), the Successor Agency is required to submit for approval to the Oversight Board and the DOF a Long-Range Property Management Plan ("Plan"). The Plan needs to address the disposition and/or use of the real properties of the Former Agency.

The Former Agency, at the time of dissolution, owned four "parcels" of real property that are subject to the Plan. The four "parcels" are the two vacant blocks on Pacific Street between Pier View Way and Seagaze Drive ("Pacific Street Lots"); Parking Lot 23 at the northwest corner of Tremont Street and Pier View Way ("Parking Lot 23"); the vacant lot at 801 North Coast Highway ("Bode Property"); and the vacant lot located at the 900 Block of North Coast Highway ("Arthur Property"). The four parcels of real property are collectively referred to as the "Subject Properties."

On May 28, 2013, staff presented the Oversight Board with a synopsis of the pertinent terms of the Plan. At that meeting, staff had also informed the Oversight Board that the

Plan would be brought before the Oversight Board at its June 11, 2013, meeting for approval.

ANALYSIS

In accordance with the Dissolution Act, California Health and Safety Code Section 34191.5, the Plan, a copy of which is attached, describes the Subject Properties and sets forth the following requisite information:

- 1) The date of the acquisition and the value of the property at that time and the estimated value of the property today.
- 2) The purpose for which the property was acquired.
- 3) A detailed description of the property, including but not limited to the assessor parcel number, property type, lot size, and current zoning.
- 4) The history of previous development proposals and activity of each property.
- 5) The property's current income/revenue (if applicable) and requirements for use of such.
- 6) A description of the property's proposed disposition and/or use by the Successor Agency.
- 7) Proposed sales value and proposed sale date (if applicable).

The above information for the four properties owned by the Successor Agency is separated into three sections of the Plan, entitled:

- I. History
- II. Detailed Inventory
- III. Proposed Use and Disposition

The proposed use and disposition of the four properties are as follows:

Parcel 1 – The Pacific Street Lots

The Successor Agency and SD Malkin have negotiated a revised Disposition and Development Agreement ("Revised DDA") which eliminates the \$17.26 million in future tax allocation payments as well as the \$5.10 million for Premises Revenue Indexed Payments. The Lease is proposed to be replaced by a sale of the property to SD Malkin. The consideration for the sale is the proposed restrictive covenants that will encumber the property requiring various use restrictions to guarantee fulfillment of the requirements of the Local Coastal Program, including the Nine Block Master Plan requirements. The restrictive covenants include requirements for SD Malkin to construct a revised project ("Revised Project"):

- a full service resort of at least 225 rooms with a four-star quality;
- a 135 room boutique hotel that must be consistent in quality to a defined competitive set;
- at least 18,500 sq. ft. of visitor serving commercial facilities;

- a ballroom of at least 6,400 sq. ft. in the full service resort and overall a total of 20,000 sq. ft. of meeting space;
- 30% of the site to be used as a public space amenity as required by the applicable zoning, 15% of which must be an interior public space.

Parcel 2 – Parking Lot 23

Sell the property pursuant to a Request for Proposals, with a condition that future uses shall be consistent with applicable land-use and zoning ordinances. Future uses include a public parking structure and a commercial and/or residential component.*

* Please note that this use and disposition has changed from what was previously presented to the Oversight Board on May 28, 2013.

Parcel 3 – Bode Property

The sale of the property to the highest bidder at auction will be for development consistent with applicable zoning ordinances.

Parcel 4 – Arthur Property

The sale of the property to the highest bidder at auction will be for development consistent with applicable zoning ordinances.

FISCAL IMPACT

Any proceeds from the disposition and/or use of each of the Subject Properties that was purchased with bond funds will have to be used to retire a portion of the outstanding debt. The fiscal impact of the Plan with respect to each of the properties is as follows:

Parcel 1 – The Pacific Street Lots

The Revised DDA between the Successor Agency and SD Malkin contemplates the sale of the property to SD Malkin with no monetary consideration to the Successor. As stated above, the consideration for the sale is the proposed restrictive covenants that will encumber the property.

In the event the Successor Agency is directed to sell the Pacific Street Lots property on the open market, despite the cloud on title created by the DDA/Lease, a future buyer would likely have to submit an entirely new development application and environmental review process. The Successor Agency's economic modeling demonstrates that the Revised Project continues to require financial assistance. However, the proposed assistance will come from the City of Oceanside ("City") pursuant to an agreement for sharing transient occupancy tax ("TOT") generated by the Revised Project. The City is only considering the TOT share in consideration for the extraordinary covenants accepted by SD Malkin. A sale of the open market will not include such covenants and thus a TOT share will be unavailable. Thus, a sale of the Pacific Street Lots to someone other than SD Malkin will lead to a new discretionary review process, which experience has shown will likely take years, further delaying

development of the site and the reassessment of the property following completion of construction.

The Successor Agency's consultant, Keyser Marston and Associates ("KMA"), has analyzed the projected property tax that will be generated from the SD Malkin Revised Project under the revised DDA. The net present value of property tax generated from development of a 360 room project identified in the Revised DDA is \$23.5 million. KMA also modeled anticipated property tax generated by the sale of the property to a select service hotel that would not be obligated to comply with the extraordinary covenants. That analysis shows that the net present value of the property tax generated by the select service hotel is \$13.1 million. As a result, the SD Malkin project generates, in net present value, over \$10 million more in property tax than a select service hotel.

Approval of the Revised DDA with SD Malkin will eliminate the prospect of litigation. If the Successor Agency is directed to sell the property on the open market notwithstanding the presence of the DDA/Lease, the Successor Agency anticipates SD Malkin will pursue judicial remedies against the State of California. This will inevitably delay development of the site and the benefits of the project to the taxing entities described above.

Parcel 2 – Parking Lot 23

The property was purchased with tax-exempt bond proceeds. In order to comply with the bond's Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease the outstanding bonds.

Parcel 3 – Bode Property

The property was purchased with tax-exempt bond proceeds (2002 Tax Allocation Bonds). In order to comply with the bond's Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease outstanding 2002 Tax Allocation Bonds.

Staff is intending to sell the property by auction in July 2013 at an amount of not less than \$297,000. The sale would be subject to the approval of a purchase and sale agreement by DOF.

Parcel 4 – Arthur Property

The property was also purchased with tax-exempt bond proceeds (2002 Tax Allocation Bonds). In order to comply with the bond's Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease outstanding 2002 Tax Allocation Bonds.

Staff is intending to also sell this property by auction in July 2013 at an amount of not less than \$183,000. The sale would be subject to the approval of a purchase and sale agreement by DOF.

CITY ATTORNEY'S ANALYSIS

Under the Dissolution Act enacted by AB X1 26, the Successor Agency, under the direction of the Oversight Board is obligated to dispose of real property it received from the dissolved Former Agency either for limited public uses or for disposition in the private market expeditiously and with a requirement of maximizing value. AB X1 26 contemplates that the disposition proceeds are to be made available for distribution to the taxing agencies.

AB 1484 provides greater flexibility for the Successor Agency that has received a Finding of Completion from the DOF. Once the Finding of Completion has been issued, the Successor Agency must within six months submit a long-range property management plan to the DOF. That plan includes an inventory of each property and a designation of the permitted use. The permitted uses may include retention of the land for government use, retention for future development, sale of the property for a redevelopment project, or use of the land for enforceable obligations.

Each of the Subject Properties described in this staff report is proposed to be disposed of and/or use consistent with the objectives of AB 1484. The disposition and/or use of the Subject Properties proposed in the Plan will be subject to the review by the DOF.

RECOMMENDATION

Staff is recommending that the Oversight Board of the City of Oceanside Successor Agency adopt a resolution approving the Long-Range Property Management Plan that addressing the disposition and use of the real properties owned by the City of Oceanside Successor Agency.

PREPARED BY:



Douglas E. Eddow
Real Estate Manager

SUMBITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager



Teri Ferro, Director of Finance



Michele Lund, Treasury Manager



John Helmer, Downtown Development Manager



1 RESOLUTION NO.

2 A RESOLUTION OF THE OVERSIGHT BOARD FOR THE
3 SUCCESSOR AGENCY OF THE CITY OF OCEANSIDE TO
4 APPROVE A LONG-RANGE PROPERTY MANAGEMENT
5 PLAN

6 WHEREAS, on February 1, 2012, in accordance with the provisions of California
7 Health and Safety Code Section 34179(a)(1) the Oceanside Redevelopment Agency was
8 dissolved; and

9 WHEREAS, the Oversight Board to the Successor Agency of the former Oceanside
10 Redevelopment Agency (Successor Agency) has been appointed pursuant to the provisions of
11 Health and Safety Code Section 34179; and

12 WHEREAS, on May 10, 2013 and May 15, 2013, the California Department of Finance
13 issued to the Successor Agency a Finding of Completion pursuant to Health and Safety Code
14 section 34179.7; and

15 WHEREAS, the Successor Agency is required by Health and Safety Code section
16 34191.5(b) to submit to the Department of Finance a Long-Range Property Management Plan
17 within six months from the date of the approval of the Finding of Completion; and

18 WHEREAS, staff for the Oceanside Successor Agency has prepared a Long-Range
19 Property Management Plan including all of the information mandated by Health and Safety
20 Code section 34191.5

21 NOW, THEREFORE, the Oversight Board to the Successor Agency of the City
22 Oceanside does resolve as follows:

23 1. The foregoing Oversight Board recitals are true and correct and are a substantive
24 part of this Resolution.

25 2. The Oversight Board hereby approves the Long-Range Property Management
26 Plan, a copy of which is attached hereto and incorporated by reference as Exhibit A.

27 ///

1 BE IT FURTHER RESOLVED that, a copy of this Resolution will be transmitted to the
2 California State Department of Finance.

3 PASSED AND ADOPTED by the Oversight Board to the Successor Agency of the City
4 of Oceanside, California, this _____ day of _____, 2013, by the following
5 vote:

6
7 AYES:

8 NAYS:

9 ABSENT:

10 ABSTAIN:

11
12 _____
13 CHAIRMAN

14 ATTEST:

15
16 _____
17 SECRETARY

LONG-RANGE PROPERTY MANAGEMENT PLAN
SUCCESSOR AGENCY
TO
FORMER OCEANSIDE REDEVELOPMENT AGENCY

INTRODUCTION

On June 27, 2012, Governor Brown signed into law Assembly Bill 1484 (“AB 1484”), a budget trailer bill that makes substantial changes to the redevelopment agency dissolution process implemented by Assembly Bill 1X 26 (“AB 26”). One of the key components of AB 1484 is the requirement that all successor agencies develop a long-range property management plan that governs the disposition and use of the former redevelopment agency property. This document is the Long-Range Property Management Plan (“Plan”) for the Successor Agency to the former Oceanside Redevelopment Agency (“Successor Agency”).

SUMMARY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

There are four (4) properties owned and controlled by the Successor Agency. They are as follows:

- Parcel 1. The “Pacific Street Lots” – this property consists of two (2) full blocks at approximately 60,000 sq. ft. each. The southern block is currently vacant except for one (1) unoccupied “historically significant” residential structure and is completely fenced. The northern block is currently vacant.
- Parcel 2. 300 Block of North Cleveland Street – the property is currently being used as a City of Oceanside public parking lot (“Lot No. 23”) consisting of approximately 70,132 sq. ft.
- Parcel 3. 801 North Coast Highway – the property is currently a vacant commercially zoned lot consisting of approximately 11,000 sq. ft.
- Parcel 4. 900 Block of North Coast Highway – this property is currently a vacant commercially zoned lot consisting of approximately 6,100 sq. ft.

The properties are identified on Attachment “A” and are more particularly described in greater detail in the History, Detailed Parcel Inventory and Proposed Use and Disposition sections below.

I. HISTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

All of the properties included in the Successor Agency's inventory were acquired by the former Oceanside Redevelopment Agency in an effort to redevelop and revitalize a portion of the downtown area of the City of Oceanside. In this section the purpose for which each of the properties were acquired; the history of environmental studies, and/or remediation, and designation as a Brownfield site (if applicable); and the history of previous development proposals and activity including the rental or lease of property, are more particularly described.

HISTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 1 – The Pacific Street Lots

Purpose for which Property was Acquired (HSC 34191.5(c)(1)(B)):

The property was purchased to remove blight, encourage future hotel development to achieve goals of the Redevelopment Plan, and to prevent blight from reoccurring on the property.

History of Environmental Contamination, Studies, Etc. (HSC 34191.5(c)(1)(F)):

A Phase I Environmental Site Assessment report was prepared for the property and adjacent property by Hillman Environmental Company in March 1994. In addition, a Phase II Environmental Site Assessment report was prepared for the property and adjacent property by SCS Engineers in November 2004. A subsequent Phase I Environmental Site Assessment report was prepared by Rincon Consultants in October 2006 as part of a Final Environmental Impact Report (“EIR”) for the property prepared by PBS&J dated December 17, 2007. An initial Phase II Environmental Site Assessment report, dated September 17, 2007 and an Additional Phase II Environmental Site Assessment report, dated November 9, 2007, were also prepared by Rincon Consultants.

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

The Pacific Street Lots are the subject of a Disposition and Development Agreement and Long Term Lease (“DDA/Lease”) between the Oceanside Community Development Commission (“CDC”) and SD Malkin Properties, Inc. (“SD Malkin”). The SD Malkin DDA/Lease was approved by the CDC on June 17, 2009. Attached as Exhibit “A” is a copy of the staff report detailing the DDA/Lease. The voluminous DDA and Lease are attached to this report as Exhibit “B”.

The purpose of the DDA/Lease was to implement one of the critical objectives of the Oceanside Redevelopment Plan, to facilitate development of a full service destination resort and visitor serving commercial uses in the Oceanside downtown. The Pacific Street Lots are subject to the Nine Block Master Plan (“Master Plan”), a land use plan approved by the CDC in 2000 that was required by the California Coastal Commission (“Coastal Commission”) to implement the City’s Local Coastal Program (“LCP”). The Land Use Policies in the City’s LCP require that a nine-block area be planned to insure a minimum intensity of visitor-serving commercial facilities. The Master Plan requires the development of at least 240 hotel rooms and 81,800 sq. ft. of visiting serving commercial uses in the area covered by the Master Plan. Developers must either build their proportional share of hotel rooms, or wait to pull building permits until 240 rooms have been constructed in the area. In addition, developers must construct their pro-rata share of visitor serving commercial facilities.

Prior to the approval of the SD Malkin DDA/Lease, the CDC tried unsuccessfully to develop the site as a hotel with visitor serving uses. The CDC from approximately 2000 through 2002 teamed with a private hotel developer in an effort to develop the site. However, in June of 2002, the Coastal Commission denied the City of Oceanside’s proposed LCP Amendment 1-2000. This

amendment included modification to the Land Use Plan and Zoning maps to accommodate redevelopment of the bluff top and beach area adjacent to Oceanside Pier. The proposed Oceanside Beach Resort included a 400-room hotel with 545,509 sq. ft. of guest accommodations; 12,200 sq. ft. of retail shops, 6,400 sq. ft. of restaurants, 9,400 sq. ft. of meeting rooms; and 19,500 sq. ft. of ballrooms; a public promenade and two (2) levels of subterranean parking. The proposed development would have created an auto-free zone on Pacific Street between Seagaze Drive and Pier View Way. The Strand, a public road adjacent to the beach, would have also been closed. The amendment was denied by the Coastal Commission due to the scale of development and its impacts to public access among other issues.

After the unsuccessful development efforts between 2000 and 2002, and following litigation over the denial of the project, the CDC engaged in a new effort to develop the site in 2004 when it issued a Request for Qualifications and subsequently a Request for Proposals to eligible developers for the development of a full service a hotel/ with visitor serving uses. In September 2005, the CDC selected SD Malkin to enter into an exclusive negotiation agreement (“ENA”), and in August 2006, the CDC and SD Malkin entered into a Memorandum of Understanding (“MOU”) concerning SD Malkin’s proposed project (“Project”). All necessary land use permits for the Project were approved in 2008, including necessary coastal development permits. Unlike the project denied in 2002 by the Coastal Commission, the Project was unanimously supported by the Oceanside City Council and was well received by the community. A complicated DDA/Lease was unanimously approved by the CDC and City Council in 2009.

The DDA/Lease obligates SD Malkin to construct a high quality, full service 289 room resort hotel as well as a 47-unit boutique hotel with a 48-unit fractional time share component. SD Malkin is also required to construct 18,500 sq. ft. of visitor serving commercial uses as required by the Master Plan and a ballroom large enough to seat five hundred (500) people. The DDA governs the rights and obligations of the parties until the close of escrow. The Lease, which includes a 75-year base term and 24-year option, governs, among other things, the CDC’s financial contribution to the Project. The Lease provides for no rent for the initial 12 years and heavily discounted rental rates for the next 28 years in order to incentivize high quality development. Also under the approved Lease, the CDC agreed to contribute approximately \$27.5 million in redevelopment-based assistance as follows:

- \$5.10 million for off-site public improvements required as conditions of approval for the Project; (see Section 12.1, page 59, see also Exhibit “K” of the Lease)
- \$17.26 million in future tax allocation bond proceeds as consideration for the “extraordinary covenants” included in the Lease. (see Lease Sections 12.4.1 and 12.4.2) These covenants included the 500-seat ballroom; the relocation and rehabilitation of a historically significant structure on the southern block of the Pacific Street Lots; and the obligation to continuously operate the resort hotel through the term at specific quality standards set forth in the Lease (see Lease Sections 12.3, page 60). SD Malkin is also obligated to grant a public parking easement in the Project’s underground parking garage
- \$5.10 million in future tax increment revenues on the condition that specified transient occupancy tax thresholds are satisfied (see Lease Section 12.4.7 “Premises Revenue Indexed Payments”).

Some of the costs for the off-site public improvements in the Lease have already been recognized as enforceable obligations by the California Department of Finance (“DOF”) and have been paid. For example, the Successor Agency’s Enforceable Obligation Payment Schedule (EOPS), as amended on January 31, 2012, identified total outstanding debt of \$5.208 million for the Project, payable to TC Construction, including \$650,849 payable in the 2011-2012 fiscal year (Item 20 of the EOPS). ROPS I also identified a total obligation of \$5.208 million for qualifying public improvement costs for the Project, payable to TC Construction and the City of Oceanside, including \$3.510 million during the fiscal year (ROPS I, Form A, Item 7). To date, the total amount paid to TC Construction to construct qualifying public improvement is approximately \$636,000.

The SD Malkin DDA/Lease was approved well before the adoption of AB 26 and AB 1484. The original DDA provided SD Malkin until January 28, 2012 to commence construction. However, the CDC approved Amendment 1 to the DDA/Lease on January 5, 2011 providing a one-year extension to the initial 18-month period to close escrow. That means the time period to close escrow, including the two (2) six-month extensions in the DDA would run on January 28, 2013, subject to further extensions for “unavoidable delay” as defined in the DDA. SD Malkin has formally asserted “unavoidable delay” due to the adoption of AB 26, which renders much of the CDC’s financial assistance impossible to provide. SD Malkin contends that it spent over \$5 million in furtherance of its obligations under the ENA, the MOU and the DDA/Lease, including preparation of full schematic design plans and partial design development plans for the Project.

As discussed in Section III of this Plan, the Successor Agency and SD Malkin are in the final stages of negotiations to amend the existing DDA/Lease and replace it with an immediate sale of the property, which will result in the elimination of the \$17.26 million of CDC assistance in the form of tax allocation bond proceeds as well as elimination of the \$5.10 million in future tax increment assistance identified as “Premises Revenue Indexed Payments.”

HISTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 2 – 300 Block of North Cleveland Street

Purpose for which Property was Acquired (HSC 34191.5(c)(1)(B)):

This property was purchased to remove blight and to provide the location for a multi-use parking structure incorporating some retail, commercial and/or residential uses.

History of Environmental Contamination, Studies, Etc. (HSC 34191.5(c)(1)(F)):

It does not appear that a Phase I Environmental Site Assessment report was done at the time of acquisition.

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

No history of previous development proposals and activity.

HISTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 3 – 801 North Coast Highway

Purpose for which Property was Acquired (HSC 34191.5(c)(1)(B)):

The property was acquired for purpose of removing blighted conditions and to provide opportunities to assemble parcels to achieve the goals of the Oceanside Redevelopment Plan.

History of Environmental Contamination, Studies, Etc. (HSC 34191.5(c)(1)(F)):

The property was the site a former Texaco gas station prior to date the property was acquired by the former Redevelopment Agency on September 26, 2002. As a condition to the close of escrow to acquire the property, on September 13, 2002, the County of San Diego issued a letter confirming the completion of a site investigation and corrective action for the underground storage tanks formerly located at the location. The letter also indicated that no further action related to the petroleum release at the site was required.

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

No history of previous development proposals and activity. The property was acquired as a vacant lot and remains as such.

HISTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 4 – 900 Block of North Coast Highway

Purpose for which Property was Acquired (HSC 34191.5(c)(1)(B)):

The property was purchased to assemble with adjacent privately owned land and city-owned land to create a larger and more marketable parcel for future development to achieve the goals of the Oceanside Redevelopment Plan.

History of Environmental Contamination, Studies, Etc. (HSC 34191.5(c)(1)(F)):

To the best of the Successor Agency's knowledge it appears that there is no known environmental contamination of the property or studies indicating such.

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

No history of previous development proposals and activity. The property was acquired as a vacant lot and remains as such.

II. DETAILED INVENTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Section 34191.5(c)(1) of the Health and Safety Code, which was added as part of AB 1484, requires that the Long-Range Property Management Plan include an inventory of all properties previously owned by the former Oceanside Redevelopment Agency that is now held in trust by the Successor Agency. A detailed description of each of the properties included in the Successor Agency's inventory is more particularly set forth in this section, and includes property type, address (if applicable), assessor parcel number, lot size, current zoning, acquisition date, value at time of purchase, estimated current value, estimate of current parcel value, value basis, and date of current value; a description of property's potential for transit oriented development; and a description of the property's potential for the advancement of planning objectives of the Successor Agency.

DETAILED INVENTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 1 – The Pacific Street Lots

Property Type: Two (2) full blocks with the southern block currently vacant except for one (1) unoccupied residential structure and is completely fenced. The structure has historical significance and is commonly referred to as the “Graves” or “Top Gun” house).

Address (HSC 34191.5(c)(1)(C)): No specific address.

APN (HSC 34191.5(c)(1)(C)): (APNs 147-076-01, 02, 03, 10, 11 & 12 and 147-261-01 thru 12).

Lot Size (HSC 34191.5(c)(1)(C)): Two (2) 60,000 sq. ft lots.

Current Zoning (HSC 34191.5(c)(1)(C)): This property is located in the Coastal Zone and is included in the Redevelopment Project Area Zoning Map designated as District 12, Tourist and Visitor Serving Commercial. This zoning allows a wide array of visitor serving, commercial, retail and residential uses. This property is also included in the Master Plan (the Nine Block Master Plan Area), which was approved by the CDC and the Coastal Commission. The Master Plan further refines standards and guidelines to implement existing City regulations and CDC land use regulations and development criteria. The Master Plan requires that development on this property provide minimum number of both hotel rooms visitor serving commercial spaces to meet the overall goals of the Master Plan.

Acquisition Date (HSC 34191.5(c)(1)(A)):

APN 147-076-01 thru 03 – (Curran/Ellison/Heath)	09/2001
APN 147-261-05 thru 08 – (Rego)	1/29/2002
APN 147-261-04 – (Hoyt)	8/23/2001
APN 147-076-10 thru 12 and 147-261-01, 02, 03, 09 thru 12 – (Oceanside Pier Resort LP)	2/25/2002

Value at Time of Purchase Curran/Ellison/Heath – \$893,000

<i>(HSC 34191.5(c)(1)(A)):</i>	Rego –	\$2,020,000
	Hoyt –	\$368,695
	Oceanside Pier Resort LP –	<u>\$3,675,000</u>
		\$6,956,695

Estimated Current Value

(HSC 34191.5(c)(1)(A)): Negative \$27,630,000 (per 33433 Report, dated May 2009 prepared by Keyser Marston & Associates)

Estimate of Current Parcel Value: Negative \$27,630,000 (same as above)

Value Basis: \$6,956,695

Date of Estimated Current Value: May 2009

Description of Property's Potential for TOD:

This property is located between the Pacific Ocean and the railroad tracks servicing Amtrak, MetroLink, Coaster and Sprinter train lines. It is located two blocks from the Oceanside Multi-Modal Transit Center accessing the above train lines as well as a bus terminal. It is located immediately adjacent to the Coastal Bicycle Route on Pacific Street and two blocks from the Pacific Rail Bicycle Trail adjacent to the railroad tracks.

Description of Property's Potential for Advancement of Planning Objectives of the Successor Agency (HSC 34191.5(c)(1)(G)):

The Successor Agency and SD Malkin have negotiated a revised DDA (“Revised DDA”) that eliminates the \$17.26 million in future tax allocation payments as well as the \$5.10 million for Premises Revenue Indexed Payments. The Lease is proposed to be replaced by a sale of the property to SD Malkin. The consideration for the sale is the proposed restrictive covenants that will encumber the property requiring various use restrictions to guarantee fulfillment of the requirements of the Local Coastal Program, including the Nine Block Master Plan requirements. The restrictive covenants include requirements for SD Malkin to construct a revised project (“Revised Project”):

- a full service resort of at least 225 rooms with a four-star quality;
- a 135 room boutique hotel that must be consistent in quality to a defined competitive set;
- at least 18,500 sq. ft. of visitor serving commercial facilities;
- a ballroom of at least 6,400 sq. ft. in the full service resort and overall a total of 20,000 sq. ft. of meeting and function space;
- 30% of the site to be used as a public space amenity as required by the applicable zoning, 15% of which must be an interior public space.

In addition to the covenants, the Project is contractually obligated to pay required prevailing wage rates. All other conditions of approval and mitigation measures in the certified

Environmental Impact Report for the current DDA/Lease must be complied with, including but not limited to, rehabilitation of the existing historical significant structure on the southern block of the Pacific Street Lots property.

As compared to the Project required in the current DDA/Lease, the Revised Project reduces the height of the building on the southern block from eight (8) stories to six (6) stories and reduces the size of the ballroom from approximately 8,000 sq. ft. to roughly 6,400 sq. ft. Given the smaller bulk and scale of the Revised Project, the Successor Agency staff anticipates that no further discretionary land use permits will be necessary. It is anticipated that the Revised Project can be approved pursuant to a substantial conformity process with the City of Oceanside Development Services Department. A substantial conformity review is a staff-level, ministerial approval.

In the event the Successor Agency is directed to sell the Pacific Street Lots property on the open market, despite the cloud on title created by the DDA/Lease, a future buyer would likely have to submit an entirely new development application and environmental review process. The Successor Agency's economic modeling demonstrates that the Revised Project continues to require financial assistance; however, the proposed assistance will come from the City of Oceanside ("City") pursuant to an agreement for sharing transient occupancy tax (TOT) generated by the Revised Project. The City is only considering the TOT share in consideration for the extraordinary covenants accepted by SD Malkin. A sale of the open market will not include such covenants and thus a TOT share will be unavailable. Thus, a sale of the Pacific Street Lots property to someone other than SD Malkin will likely lead to a new discretionary review process, which experience has shown will likely take years, further delaying development of the site and the reassessment of the property following completion of construction.

The Successor Agency's consultant, Keyser Marston and Associates (KMA), has analyzed the projected property tax that will be generated from the SD Malkin Revised Project under the revised DDA. The net present value of property tax generated from development of a 360 room project identified in the Revised DDA is \$23.5 million. KMA also modeled anticipated property tax generated by the sale of the property to a select service hotel that would not be obligated to comply with the extraordinary covenants. That analysis shows that the net present value of the property tax generated by the select service hotel is \$13.1 million. As a result, the SD Malkin project generates, in net present value, over \$10 million more in property tax than a select service hotel.

Approval of the Revised DDA with SD Malkin will eliminate the prospect of litigation. If the Successor Agency is directed to sell the property on the open market notwithstanding the presence of the DDA/Lease, the Successor Agency anticipates SD Malkin will pursue judicial remedies against the State of California. This will inevitably delay development of the site and the benefits of the project to the taxing entities described above.

DETAILED INVENTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 2 – 300 Block of North Cleveland Street

Property Type: Currently an improved public parking lot.

Address (HSC 34191.5(c)(1)(C)): No specific address.

APN (HSC 34191.5(c)(1)(C)): APN 147-161-11.

Lot Size (HSC 34191.5(c)(1)(C)): 70,132 sq. ft.

Current Zoning (HSC 34191.5(c)(1)(C)): This property is located in the Coastal Zone and is included in the Redevelopment Project Area Zoning Map designated as District 1, Commercial Retail and Office/Residential Possible. This zoning allows a wide array of visitor serving, commercial, retail and residential uses. This property is also included in the Master Plan (the Nine Block Master Plan Area) approved by the CDC and the Coastal Commission. This Master Plan further refines standards and guidelines to implement existing City of Oceanside regulations and CDC land use regulations and development criteria.

Acquisition Date (HSC 34191.5(c)(1)(A)): 12/18/1989

Value at Time of Purchase (HSC 34191.5(c)(1)(A)): Estimated at \$750,000

Estimated Current Value (HSC 34191.5(c)(1)(A)): Nominal – currently used as a public parking lot

Estimate of Current Parcel Value: Nominal – currently used as a public parking lot

Value Basis: \$1,019,462

Date of Estimated Current Value: May 2013

Description of Property's Potential for TOD:

This property is located adjacent to the railroad tracks servicing Amtrak, MetroLink, Coaster and Sprinter train lines. It is located two blocks from the Oceanside Multi-Modal Transit Center accessing the above train lines as well as a bus terminal. It is also located two blocks from the Coastal Bicycle Route on Pacific Street and three blocks from the Pacific Rail Bicycle Trail

adjacent to the railroad tracks. Further, this property is located in the City's Transit Overlay District which requires that project-related Development Plans incorporate a focus on transit, walkable neighborhoods and support carpools, bus, biking, walking and more efficient auto use.

Description of Property's Potential for Advancement of Planning Objectives of the Successor Agency (HSC 34191.5(c)(1)(G)):

Sell the property for economic development purposes with a condition that futures uses be consistent with the City's Local Coastal Plan and the Nine Block Master Plan. Future uses include a parking structure with a commercial and/or residential component.

DETAILED INVENTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 3 – 801 North Coast Highway

Property Type: Currently a vacant lot.

Address (HSC 34191.5(c)(1)(C)): 801 North Coast Highway.

APN (HSC 34191.5(c)(1)(C)): APN 143-201-03.

Lot Size (HSC 34191.5(c)(1)(C)): 11,000 sq. ft.

Current Zoning (HSC 34191.5(c)(1)(C)): This property is located in the Coastal Zone and is included in the Redevelopment Project Area Zoning Map and is designated as 7B, Recreational, Commercial and Residential. This zoning allows a wide array of commercial, office and residential uses.

Acquisition Date (HSC 34191.5(c)(1)(A)): 09/2002

Value at Time of Purchase (HSC 34191.5(c)(1)(A)): \$315,000

Estimated Current Value (HSC 34191.5(c)(1)(A)): \$297,000

Estimate of Current Parcel Value: \$297,000

Value Basis: \$315,000

Date of Estimated Current Value: 11/2012

Description of Property's Potential for TOD:

This property is located in a commercialized area on North Coast Highway approximately five (5) blocks from the center of Downtown Oceanside at the off-ramp for State Route 76. The North County Transit District Breeze Bus line #395 stops within a block of the site. The property is located approximately 2/3 mile from the Oceanside Multi-Modal Transit Center with access to Amtrak, MetroLink, Coaster and Sprinter train lines as well as a bus terminal.

Description of Property's Potential for Advancement of Planning Objectives of the Successor Agency (HSC 34191.5(c)(1)(G)):

The Successor Agency proposes to sell the property to highest bidder for development consistent with applicable zoning ordinances.

DETAILED INVENTORY OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 4 – 900 Block of North Coast Highway

<i>Property Type:</i>	Currently a vacant lot.
<i>Address (HSC 34191.5(c)(1)(C)):</i>	No specific address.
<i>APN (HSC 34191.5(c)(1)(C)):</i>	APN 147-020-38.
<i>Lot Size (HSC 34191.5(c)(1)(C)):</i>	6,100 sq. ft.
<i>Current Zoning (HSC 34191.5(c)(1)(C)):</i>	The property is located in the Coastal Zone and is included in the Redevelopment Project Area Zoning Map and is designated as 7B, Recreational, Commercial and Residential. This zoning designation allows a wide array of commercial, office, retail and residential uses.
<i>Acquisition Date (HSC 34191.5(c)(1)(A)):</i>	06/2004
<i>Value at Time of Purchase (HSC 34191.5(c)(1)(A)):</i>	\$250,000
<i>Estimated Current Value (HSC 34191.5(c)(1)(A)):</i>	\$183,000
<i>Estimate of Current Parcel Value:</i>	\$183,000
<i>Value Basis:</i>	\$250,000
<i>Date of Estimated Current Value:</i>	11/2012
<i>Description of Property's Potential for TOD:</i>	

This property is located in a commercialized area on North Coast Highway approximately five (5) blocks from the center of Downtown Oceanside at the off-ramp for State Route 76. The North County Transit District Breeze Bus line #395 stops within a block of the site. The property is located approximately 3/4 mile from the Oceanside Multi-Modal Transit Center with access to Amtrak, MetroLink, Coaster and Sprinter train lines as well as a bus terminal.

Description of Property's Potential for Advancement of Planning Objectives of the Successor Agency (HSC 34191.5(c)(1)(G)):

The Successor Agency proposes to sell the property to highest bidder for development consistent with applicable zoning ordinances. Currently, a proposed zone change to A6, Visitor Serving Commercial, is pending approval by the Coastal Commission. This new zoning designation allows similar uses to 7B, but does not permit residential use unless such use is part of a mixed-use development.

III. PROPOSED USE AND DISPOSITION OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

In this section, for each of the properties in the Successor Agency's inventory, is a detailed description of the permissible use and/or disposition, current income/revenue and contractual requirements for use of income/revenue (if applicable); proposed sales value and proposed sales date (if applicable).

PROPOSED USE AND DISPOSITION OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 1 – The Pacific Street Lots

*Permissible Use and/or Disposition
(HSC 34191.5(c)(2)):*

The Successor Agency and SD Malkin have negotiated a revised DDA (“Revised DDA”) which eliminates the \$17.26 million in future tax allocation payments as well as the \$5.10 million for Premises Revenue Indexed Payments. The Lease is proposed to be replaced by a sale of the property to SD Malkin. The consideration for the sale is the proposed restrictive covenants that will encumber the property requiring various use restrictions to guarantee fulfillment of the requirements of the Local Coastal Program, including the Nine Block Master Plan requirements. The restrictive covenants include requirements for SD Malkin to construct a revised project (“Revised Project”):

- a full service resort of at least 225 rooms with a four-star quality;
- a 135 room boutique hotel that must be consistent in quality to a defined competitive set;
- at least 18,500 sq. ft. of visitor serving commercial facilities;
- a ballroom of at least 6,400 sq. ft. in the full service resort and overall a total of 20,000 sq. ft. of meeting space;
- 30% of the site to be used as a public space amenity as required by the applicable zoning, 15% of which must be an interior public space.

All other conditions of approval and mitigation measures in the certified Environmental Impact Report for the current DDA/Lease must be complied with, including but not limited to, rehabilitation of the existing historical significant structure on the southern block of the Pacific Street Lots property.

As compared to the Project required in the current DDA/Lease, the Revised Project reduces the height of the building on the southern block from eight (8) stories to six (6) stories and reduces the size of the ballroom from approximately 8,000 sq. ft. to roughly 6,400 sq. ft. Given the smaller bulk and scale of the Revised Project, the Successor Agency staff anticipates that no further discretionary land use permits will be necessary. It is anticipated that the Revised Project can be approved pursuant to a substantial conformity process with the City of Oceanside Development Services Department. A substantial conformity review is a staff-level, ministerial approval.

In the event the Successor Agency is directed to sell the Pacific Street Lots property on the open market, despite the cloud on title created by the DDA/Lease, a future buyer would likely have to submit an entirely new development application and environmental review process. The Successor Agency’s economic modeling demonstrates that the Revised Project continues to require financial assistance. However, the proposed assistance will come from the City of Oceanside (“City”) pursuant to an agreement for sharing transient occupancy tax (TOT) generated by the Revised Project. The City is only considering the TOT share in consideration

for the extraordinary covenants accepted by SD Malkin. A sale of the open market will not include such covenants and thus a TOT share will be unavailable. Thus, a sale of the Pacific Street Lots property to someone other than SD Malkin will likely lead to a new discretionary review process, which experience has shown will likely take years, further delaying development of the site and the reassessment of the property following completion of construction.

The Successor Agency's consultant, Keyser Marston and Associates (KMA), has analyzed the projected property tax that will be generated from the SD Malkin Revised Project under the revised DDA. The net present value of property tax generated from development of a 360 room project identified in the Revised DDA is \$23.5 million. KMA also modeled anticipated property tax generated by the sale of the property to a select service hotel that would not be obligated to comply with the extraordinary covenants. That analysis shows that the net present value of the property tax generated by the select service hotel is \$13.1 million. As a result, the SD Malkin project generates, in net present value, over \$10 million more in property tax than a select service hotel.

Approval of the Revised DDA with SD Malkin will eliminate the prospect of litigation. If the Successor Agency is directed to sell the property on the open market notwithstanding the presence of the DDA/Lease, the Successor Agency anticipates SD Malkin will pursue judicial remedies against the State of California. This will inevitably delay development of the site and the benefits of the project to the taxing entities described above.

Estimate of Income/Revenue (HSC 34191.5(c)(1)(E)):

Not applicable.

Contractual Requirements for Use of Income/Revenue (HSC 34191.5(c)(1)(E)):

See Permissible Use and/or Disposition language above.

Proposed Sales Value:

See Permissible Use and/or Disposition language above.

Proposed Sales Date:

See Permissible Use and/or Disposition language above.

PROPOSED USE AND DISPOSITION OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 2 – 300 Block of North Cleveland Street

*Permissible Use and/or Disposition
(HSC 34191.5(c)(2)):*

The Successor Agency proposes to sell the property pursuant to a Request for Proposals. A sale of the property would have a condition that future uses shall be consistent with the City's Local Coastal Plan and the Nine Block Master Plan. Future uses include a parking structure with a commercial and/or residential component.

Estimate of Income/Revenue (HSC 34191.5(c)(1)(E)):

Not applicable.

Contractual Requirements for Use of Income/Revenue (HSC 34191.5(c)(1)(E)):

The property was purchased with tax-exempt bond proceeds. In order to comply with the bond's Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease the outstanding bonds.

Proposed Sales Value:

An appraisal will be conducted prior to the sale of the property.

Proposed Sales Date:

A proposed sales date is unknown at this time.

PROPOSED USE AND DISPOSITION OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 3 – 801 North Coast Highway

Permissible Use and/or Disposition
(HSC 34191.5(c)(2)):

The property will be sold at auction to the highest bidder. Auction will be “with reserve” based on the appraised value.

Estimate of Income/Revenue (HSC 34191.5(c)(1)(E)):

Not less than \$297,000

Contractual Requirements for Use of Income/Revenue (HSC 34191.5(c)(1)(E)):

The property was purchased with tax-exempt bond proceeds (2002 Tax Allocation Bonds). In order to comply with the bond’s Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease outstanding 2002 Tax Allocation Bonds.

Proposed Sales Value:

Not less than \$297,000.

Proposed Sales Date:

The sale of the property is anticipated to occur in the third quarter of 2013 by auction, subject to the approval of a purchase and sale agreement by Department of Finance.

PROPOSED USE AND DISPOSITION OF PROPERTIES OWNED BY THE SUCCESSOR AGENCY

Parcel 4 – 900 Block of North Coast Highway

*Permissible Use and/or Disposition
(HSC 34191.5(c)(2)):*

The property will be sold at auction to the highest bidder. Auction will be “with reserve” based on the appraised value.

Estimate of Income/Revenue (HSC 34191.5(c)(1)(E)):

Not less than \$183,000.

Contractual Requirements for Use of Income/Revenue (HSC 34191.5(c)(1)(E)):

The property was purchased with tax-exempt bond proceeds (2002 Tax Allocation Bonds). In order to comply with the bond’s Indenture of Trust and Tax Certificate and maintain the tax-exempt status of the bond, any income derived from the sale of the property must be used to defease outstanding 2002 Tax Allocation Bonds.

Proposed Sales Value:

Not less than \$183,000.

Proposed Sales Date:

The sale of the property is anticipated to occur in the third quarter of 2013 by auction, subject to the approval of a purchase and sale agreement by Department of Finance.