



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

Date Issued: June 11, 2018

IBA Report Number: 18-16

City Council Docket Date: June 12, 2018

Item Number: S503

Review of Assignment and Assumption Agreement: Horton Plaza Owner Participation Agreement

BACKGROUND

The Owner Participation Agreement (OPA) for the Horton Plaza Retail Center was entered into by the Redevelopment Agency of the City of San Diego and Horton Land LLC, Horton Plaza Venture LLC and Horton Plaza LP (Developer) in January 2011. Also in 2011, AB26 was passed dissolving redevelopment agencies in the State of California. The responsibility for this OPA transferred to the Successor Agency to fulfill all obligations and wind down the former redevelopment agency's activities. One of these obligations was the redevelopment of the Horton Plaza Park, which has been completed, with ownership transferred to the City. The City manages the maintenance and programming agreements for the park.

At this time, a remaining obligation for the Successor Agency with regards to the OPA is funding the Plaza Capital Reserve Account. By the time of requested transfer to the City, there will be \$600,000 in the reserve, with \$150,000 remaining to be contributed in FY 2020. The other component of the OPA currently being administered by Civic San Diego (CivicSD) on behalf of the Successor Agency is monitoring and enforcement of the land use covenants and required property improvements in the OPA.

FISCAL/POLICY DISCUSSION

In our review of this action, we discussed potential issues and the timing of this item with CivicSD and the Office of the City Attorney. This action is part of the unwinding of former redevelopment agency activities. The development of the park has been completed and ownership already transferred to the City. The remaining activities under the OPA, oversight of the land use covenants placed on the developer and fully funding the reserve account, would

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continue to be administered by CivicSD under CivicSD's operating agreement with the City. This will create a seamless transition.

In addition, the new consolidated Countywide Redevelopment Successor Agency Oversight Board takes effect in July 2018. This new board replaces all the individual oversight boards for successor agencies throughout the county. CivicSD docketed this assignment and assumption agreement as a supplemental item for June 12, 2018 in the hopes of getting it to the existing City of San Diego Oversight Board for their final meeting on June 18, 2018.

There are advantages to transferring the Horton Plaza Retail Center OPA from the Successor Agency to the City. Should any revisions to the OPA be needed in the future (for example, if a new owner wants to redevelop the property), the City will be in the position to directly negotiate those changes to the OPA. If the OPA remains under the responsibility of the Successor Agency, the new consolidated Countywide Redevelopment Successor Agency Oversight Board and the California Department of Finance would both also need to approve any changes to the OPA. By transferring the responsibility to the City ahead of any potential sale of the property, this would streamline any future negotiations on the OPA.

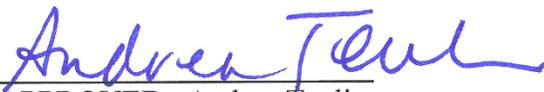
We were unable to identify any new legal obligations or liabilities that the City would take on because of this transfer of responsibility. The land owner is responsible for all leases within the retail center and the City is not a party to those leases. Further, neither the Successor Agency or the City would be involved in the sale of the retail center, only the possible renegotiation of the OPA.

CONCLUSION

Given the added approval steps for future modifications to the OPA if it remains under the Successor Agency, the current efforts by the owner to sell the property, and the change to the new Countywide Redevelopment Successor Agency Oversight Board, our office agrees that the timing is appropriate to complete this wind-down activity and transfer responsibility for this OPA from the Successor Agency to the City.



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