

**OVERSIGHT BOARD – SUCCESSOR AGENCY TO THE
FORMER REDEVELOPMENT AGENCY OF THE
COUNTY OF VENTURA
AGENDA REPORT**

DATE: June 12, 2014

TO: Oversight Board to Successor Agency

FROM: Donna McKendry, CEO Management Analyst

SUBJECT: Adopt Resolution No. 14-10 Approving the Sale of the Piru Bank Building and Directing Successor Agency Staff to Facilitate the Sale, to Take Any Administrative Actions Needed Therefor, and to Notify the Department of Finance of Approval of Said Action.

FISCAL IMPACT:

The net proceeds from the sale of the Piru Bank Building property (Bank Building) can be (1) used to make payments on enforceable obligations and/or (2) distributed to the taxing entities in amounts proportionate to their property tax share in the building. As previously contemplated, any external costs of sale (escrow and title) would be paid by the buyer. Thus, the entire purchase price will be available for either option (1) or option (2), or for a combination of those options (e.g., half to pay enforceable obligations and half immediately distributed to the taxing entities).

DISCUSSION:

Pursuant to AB 1484 (effective June 27, 2012), the following steps must be completed in the order listed before any SA property can be sold:

- 1) The SA must request and receive a Finding of Completion from the DOF;
- 2) Upon receipt of a Finding of Completion from the DOF, the SA must submit a draft LRPMP to the Oversight Board for approval and transmit the approved LRPMP to the DOF within six months of the DOF issuing a Finding of Completion; and
- 3) The DOF must have approved the proposed LRPMP, at which time the property is placed in a Community Redevelopment Property Trust Fund governed by the terms of the approved LRPMP. If the LRPMP requires sale of the property, use of revenues (i.e., sale proceeds) are limited to payment of enforceable obligations or distribution to the taxing entities (Health & Safety Code section 34191.5(c)(2)(B)).

At your May 11, 2012, Oversight Board meeting, SA staff reported that the County of Ventura Real Estate Services Division, Public Works Agency (RES), estimated the value of the Bank Building asset to be approximately \$100,000 to \$110,000. Your Board then (i.e., before AB 1484 was enacted) authorized the sale of the building within that price range. However, no offers were received in or even approaching this price range. Subsequently, the DOF required the SA to include the Bank Building in the LRPMP pursuant to the terms of AB 1484.

On April 26, 2013, the DOF issued a Finding of Completion (Exhibit D). The deadline for SA Staff to submit an approved LRPMP to the DOF was therefore October 25, 2013. At your August 8, 2013 meeting, your Board adopted Resolution No. 13-06 (Exhibit C) approving the draft LRPMP, which included a determination that the Bank Building should be sold to the highest offeror. As directed, SA staff then submitted the approved draft LRPMP to the DOF prior to the October 25, 2013 deadline. After SA staff conferred with the DOF, staff presented and your Board (1) amended the LRPMP to allow the transfer of the Piru Town Square Depot and Piru Storm Drain for governmental purposes to the County of Ventura and (2) adopted Resolution No. 14-02 (Exhibit E) approving the Amended LRPMP. On March 10, 2014, the DOF issued a Determination Letter (Exhibit F) approving the Amended LRPMP (Exhibit B).

Your Board determined the Bank Building was not subject to any existing enforceable obligation at your April 10, 2014, meeting and, by operation of law, the Bank Building was thereafter transferred by staff to the Community Redevelopment Property Trust Fund of the SA. Pursuant to Health and Safety Code Section 34191.3, once the DOF approved the Amended LRPMP, it alone governs the disposition and use of all remaining real property assets of the former Piru Redevelopment Agency and any proceeds from sales thereof. The approved Amended LRPMP requires that the Bank Building be sold in a manner that will maximize return on the funds invested in it and minimize costs.

Anticipating the future need to obtain an appraised value of the bank building, SA staff worked with RES to obtain a quote for an appraisal of the Bank Building. After the Amended LRPMP was approved by your Board and the DOF, and pursuant to further direction from your Board on April 10, 2014, SA staff authorized RES to obtain an appraisal from the Ventura Appraisal Consulting Corporation for a fee not to exceed \$850, in line with that firm's quotation (Exhibit G). On April 23, 2014, RES obtained and forwarded to SA staff an Appraisal Investigation Advisory Report (Exhibit H) for the Bank Building from the Ventura Appraisal Consulting Corporation. According to the report, the Bank Building has a current fair market value of somewhere between \$66,000 and \$78,000.

On March 10, 2014, the DOF posted on their website a response to a frequently asked question stating that it is permissible for successor agency properties to be sold through an auction-type process (Exhibit I, Question 8). When an approved LRPMP calls for a piece of property to be sold, a successor agency now may, but is not required to, dispose of that property by auction.

This auction process can be structured in various ways; however, to comply with legislative intent that property dispositions be conducted in a transparent manner that seeks to maximize value and minimize costs, the DOF suggests successor agencies that choose to employ the auction process have their oversight board (1) approve an auction services agreement and/or auction commission agreement and (2) set a minimum "reserve price" for each property that is to be auctioned. The reserve price should be based on the valuation estimate contained in the LRPMP, but may contain updates in valuation range expectations based on market and other conditions specified in the accompanying oversight board action. The DOF also recommends that the auction provider be contractually required to promote the auction for a few weeks prior to the sale and to make generally available any documentation related to the property to ensure transparency of information for those. In the above-suggested auction structure, if the auctioneer obtains an offer for the reserve price, the transaction may close.

At your May 8, 2014 Oversight Board meeting, the sale of the Bank Building was agendaized as Item #11. Your Board discussed four options in regard to a sale of the Bank Building:

1. Sell the property through a commercial real estate broker; or
2. Have RES sell the property; or
3. Auction the property through a commercial real estate auctioneer; or
4. Have RES auction the property.

After discussing the options, your Board decided you needed additional information and directed Successor Agency staff to agendaize the sale of the Bank Building at today's meeting and provide additional information, including a schedule that demonstrates the reduction of unfunded liability that applying the sale of the Bank Building's proceeds to pay down current enforceable obligations would have over time (Exhibit J), a schedule that reflects the amount of tax distribution flowing to each taxing entity based on the probable net proceeds from the sale of the Bank Building under each scenario (Exhibit K), and a chart comparing the net proceeds that might be realized from each of the available options, including any costs to be paid by the buyer and SA (Exhibit K). Your Board also requested that a "For Sale" sign be posted in the window of the Bank Building.

On May 15, 2014, RES reposted the "For Sale" sign in the window of the Bank Building. On Friday, May 16, 2014, RES received a phone call from Mr. Nok Paljusaj and

Ms. Mariah Shirley inquiring about the sale of the building. RES explained that the building had been cleared by the State to be sold but the method by which it was to be sold had yet to be determined. RES stated there was a strong possibility that the property would be sold through an auction process. RES informed Paljusaj and Shirley that an appraisal estimated a value range of \$66,000 to \$78,000. Mr. Paljusaj asked if a cash offer of \$66,000 would be considered in order to by-pass an auction process. RES stated it was a possibility and that, if Paljusaj made such an offer, it would be presented to your Board at today's meeting. On Monday, May 19, 2014, Mr. Paljusaj and Ms. Shirley met with RES and formally made an offer for \$66,000. Mr. Paljusaj stated that he was willing to pay one half of the escrow costs, pay recording costs and transfer taxes, and close escrow by July 15, 2014 (Exhibit L).

On May 27, 2014, RES received a letter from Tim Cohen of Rancho Temescal, LLC, offering to purchase the Bank Building for \$67,000, and to close the sale no later than June 30, 2014 (Exhibit M).

On June 2, 2014, Mr. Paljusaj and Ms. Shirley faxed an amended offer to RES, making a counter offer of \$68,000, to be paid in the form of a cashier's check, stipulating they would pay escrow fees and title fees, and could close by July 15, 2014 (Exhibit N).

On June 11, 2014, Tim Cohen of Rancho Temescal, LLC, emailed an amended offer to RES, making a counter offer of \$73,000, with no title or escrow and to close the sale no later than June 30, 2014 (Exhibit O).

With two bids currently presented to you, your Board has the option to sell to either party or to select a process to facilitate a sale to either of the parties. RES is equipped to handle this by setting up the sale of the building through a closed bid process. If this process is selected, staff recommends considering the following:

1. Select a minimum bid amount and ask RES to conduct a closed bid process; and
2. Have RES inform both parties of the minimum bid amount and other terms of the closed bid process, including a submission deadline (e.g., 9:00 a.m. on June 30, 2014); and
3. Set the terms of the bid to include that all external costs of the sale are to be paid by the buyer; and
4. Require the buyer to submit a cashier's check for the full amount in exchange for a grant deed to the property, which deed will be simultaneously recorded at the office of the County Recorder; and
5. After all bids are opened, immediately sell to the highest bidder and authorize RES to accept the check and record the deed, as set forth in 4, above.

(If the current, open bid process is continued, RES suggests that your Board consider adoption of the County of Ventura's requirement that, in order to be accepted,

counteroffers must be at least \$5,000 over the last preceding offer. Keith Filegar from RES will be available to discuss these options at today's meeting.)

Pursuant to Health and Safety Code section 34191.5 (c)(2)(B), if the LRPMP directs the liquidation of the property (or the use of any revenue generated from the property) for any purpose other than to fulfill an enforceable obligation, the proceeds from the sale must be distributed to the taxing entities. The Amended LRPMP is silent on how the proceeds from the sale of the Bank Building must be used (see Exhibit B). Your Board therefore has two options to consider regarding the use of the net proceeds generated from the sale of the building:

1. Net proceeds will be used to fulfill enforceable SA obligations; or
2. Net proceeds will be distributed as property tax to the taxing entities.

STAFF RECOMMENDATIONS:

1. Adopt Resolution No. 14-10 (Exhibit A) approving the sale of the Bank Building utilizing your Board's preferred option, selected from those set forth, above.
2. Direct SA Staff to facilitate the sale of the Bank Building and take action as needed thereon, including signing any documents required to consummate a sale.
3. Direct SA Staff to notify the DOF of said actions.

Exhibit A – Resolution No. 14-10
Exhibit B – Amended LRPMP
Exhibit C – Resolution No. 13-06
Exhibit D – Finding of Completion
Exhibit E – Resolution No. 14-02
Exhibit F – DOF Determination Letter for the LRPMP
Exhibit G – Appraisal Investigation Advisory Report Proposal
Exhibit H – Appraisal Investigation Advisory Report
Exhibit I – DOFs FAQs Regarding LRPMP
Exhibit J – Schedule of Reduction of Unfunded Liability
Exhibit K - Chart Comparing Various Bank Building Sale Options
Exhibit L – \$66K Offer
Exhibit M – \$67K Offer
Exhibit N – \$68K Offer
Exhibit O - \$73K Offer

McKendry, Donna

From: Tim Cohen <tcohen@ranchotemesca.com>
Sent: Wednesday, June 11, 2014 1:21 PM
To: Filegar, Keith
Cc: McKendry, Donna
Subject: Piru Building

Hi Keith....I just read the information on the website about another offer from the other party interested....thought you were going to advise me if that was the case. In keeping with the spirit of the \$5,000 minimum counter offer requirement , Rancho Temescal, LLC is prepared to offer \$ 73,000 for the Bank Building, and able to close, if preferred by the County, by June 30, 2014. We will not request Title or Escrow as previously stated.

I look forward to the meeting tomorrow.

Regards,
Tim Cohen
Rancho Temescal, LLC

RESOLUTION NO. 14-10

**RESOLUTION OF THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO
THE FORMER REDEVELOPMENT AGENCY OF THE COUNTY OF VENTURA,
STATE OF CALIFORNIA, APPROVING THE SALE OF THE PIRU BANK BUILDING AND DIRECTING SUCCESSOR
AGENCY STAFF TO FACILITATE THE SALE, TAKE ACTION AS NEEDED THEREON AND NOTIFY THE
DEPARTMENT OF FINANCE OF SAID ACTION**

The Oversight Board for the Successor Agency to The Former Redevelopment Agency of the County of Ventura (“Oversight Board”) does resolve as follows:

WHEREAS, Assembly Bill x1 26 (“ABx1 26”) was passed by the State Legislature on June 15, 2011 and signed by the Governor on June 28, 2011, and AB 1484 was approved by Governor, effective June 27, 2012; and

WHEREAS, among other things, ABx1 26 adds and AB 1484 amends Part 1.85 to the California Health and Safety Code, including Health and Safety Code section 34170 et seq.; and

WHEREAS, by enactment of Part 1.85 of Division 24 of the Health and Safety Code, The Redevelopment Agency of the County of Ventura was dissolved as of February 1, 2012, and the County of Ventura was designated the Successor Agency to The Redevelopment Agency of the County of Ventura (“Successor Agency”) under Health and Safety Code Section 34173(a); and

WHEREAS, pursuant to Health and Safety Code Section 34191.5(b), the Successor Agency was required to prepare a Long Range Property Management Plan (LRPMP) that addresses the disposition and use of the real properties of the former redevelopment agency and to submit the LRPMP to the Oversight Board and the Department of Finance for approval; and

WHEREAS, the Oversight Board approved a LRPMP that complied with Section 34191.5(b) and Successor Agency staff submitted said plan and resolution to the Department of Finance (DOF); and

WHEREAS, acting upon a recommendation received from the DOF after its initial review of said original LRPMP, the Oversight Board approved an Amended LRPMP that also complies with Section 34191.5(b); and

WHEREAS, the DOF issued a Determination Letter dated March 10, 2014 (Exhibit A-1) approving the Amended LRPMP; and

WHEREAS, pursuant to Health and Safety Code Section 34191.3, once the DOF approved the Amended LRPMP, the Amended LRPMP governs and supersedes all other provisions relating to the disposition and use of the real property assets of the former redevelopment agency; and

WHEREAS, the approved amended LRPMP (Exhibit A-2) identified that the Piru Bank Building will be disposed of by selling the property for the highest and best offer in order to maximize return on the investment and minimize costs; and

WHEREAS, on April 17, 2014, acting on direction by the Oversight Board, Successor Agency staff authorized the County of Ventura Real Estate Services Division (RES), Public Works Agency, to obtain an Appraisal Investigation Advisory Report for the Bank Building from the Ventura Appraisal Consulting Corporation for a fee not to exceed \$850 (Exhibit A-3); and

WHEREAS, on April 23, 2014, RES provided an Appraisal Investigation Advisory Report (Exhibit A-4) for the Bank Building from the Ventura Appraisal Consulting Corporation, which estimated that the Bank Building has a current fair market value of somewhere between \$66,000 and \$78,000; and

WHEREAS, on March 10, 2014, the DOF posted on their website a response to a frequently asked question stating that it is permissible for property to be sold through an auction-type process (Exhibit A-5, Question 8); and

WHEREAS, the DOF stated that, if the auction-type process is selected, the process can be structured in various ways; however, to comply with legislative intent that property dispositions be conducted in a transparent manner that seeks to maximize value and minimize costs, it is suggested that successor agencies that choose to employ the auction process include as part of the process oversight board approval of (1) the auction services agreements and/or auction commission agreements and (2) a minimum reserve price for each property that is to be auctioned so that the reserve price is based on the valuation estimate contained in the LRPMP, as updated based on market and other conditions that are specified in the accompanying oversight board's approval of said action; and

WHEREAS, on May 15, 2014, as directed by your Board, RES reposted the "For Sale" sign in the window of the Bank Building; and

WHEREAS, on Monday, May 19, 2014, RES received an offer from Mr. Paljusaj and Ms. Shirley of \$66,000 (all cash) to purchase for the Bank Building, with the buyers stating a willing to pay one half of the costs of escrow, recording and transfer fees, to close escrow by July 15, 2014 (Exhibit A-6); and

WHEREAS, on May 27, 2014, RES received a letter from Tim Cohen of Rancho Temescal, LLC, offering on its behalf to purchase the bank building for \$67,000, and expressing a willingness to close escrow no later than June 30, 2014 (Exhibit A-7); and

WHEREAS, on June 2, 2014, Mr. Paljusaj and Ms. Shirley faxed RES a revision to their letter dated May 23, 2014, making a counteroffer of \$68,000 (cash), stipulating that they would pay all escrow and title fees, and stating that they would be able to close by July 15, 2014 (Exhibit A-8); and

WHEREAS, on June 11, 2014, Tim Cohen of Rancho Temescal, LLC, emailed an amended offer to RES, making a counter offer of \$73,000, with no title or escrow and to close the sale no later than June 30, 2014 (Exhibit A – 9); and

WHEREAS, there are several options for this Oversight Board to select in order to sell the Piru Bank Building, namely:

1. Sell the property by starting a new listing through a commercial real estate broker; or
2. Sell the property by starting a new listing through RES; or
3. Place the property up for auction through a commercial real estate auctioneer; or
4. Place the property up for auction through RES; or
5. Sell the property through a closed bid process through RES as outlined above, with or without a \$5,000 minimum counter-offer requirement.

WHEREAS, as part of the last alternative, RES can facilitate the sale of the building through a bid process that may include the following, as directed by your Board:

1. Allow closed bids to be submitted before 9:00 a.m. on June 30, 2014; and
2. Specify that all bids must be without any escrow or title costs to be paid by the Successor Agency. (This could be done, for example, by requiring bidders to agree to exchange a cashier's check for a grant deed to the property, without requiring title insurance or a formal escrow, which deed could be simultaneously recorded at the office of the County Recorder.); and
3. After all bids are opened, immediately selling the bank building property to the highest bidder meeting the terms stated above.

WHEREAS, pursuant to Health and Safety Code section 34191.5(c)(2)(B), the net proceeds from the sale shall be used to fulfill enforceable obligations or distributed to the taxing entities; and

WHEREAS, the Oversight Board must identify the use of the net sales proceeds generated from the property between the following two options:

1. Net proceeds shall be used to fulfill an enforceable obligation; or
2. Net proceeds shall be distributed to the taxing entities.

NOW, THEREFORE, BE IT FOUND AND RESOLVED AS FOLLOWS:

1. The above recitations are true and correct.
2. The Oversight Board approves and sets the reserve base (or minimum) sale's price for the Bank Building property at \$_____.
3. The Oversight Board directs that the sale of the Bank Building property be accomplishing by selling the property by the following means: _____.
4. The Oversight Board directs the Successor Agency staff to return to it for approval of any agreement for the sale or auction of the property at a regularly-or-specially scheduled Oversight Board meeting or _____.
5. The Oversight Board directs that the net revenue generated from the sale of the Bank Building be _____.
6. The Oversight Board hereby adopts this Resolution 14-10, approving the sale of the Piru Bank Building property by the means set forth, above, with the proceeds distributed as set forth in item 5, above.
7. The Oversight Board directs Successor Agency staff to facilitate the sale of the Bank Building, to take any administrative actions needed to facilitate the sale of the Bank Building, and to notify the DOF of the actions approved by the Oversight Board by transmission to the DOF of this Resolution

and any future Resolutions of the Oversight Board adopted to implement this Resolution, including Oversight Board approval of any agreements related to the sale or auction of the property.

PASSED, APPROVED AND ADOPTED by the Oversight Board, on a motion by Board Member _____, seconded by Member _____, this _____ day of _____ 2014.

By: _____
Chair
Oversight Board

ATTEST:

By: _____
Successor Agency Secretary

McKendry, Donna

From: Tim Cohen <tcohen@ranchotemesca.com>
Sent: Wednesday, June 11, 2014 1:21 PM
To: Filegar, Keith
Cc: McKendry, Donna
Subject: Piru Building

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