

## COMPENSATION AGREEMENT

This COMPENSATION AGREEMENT (this "**Agreement**") is entered into as of \_\_\_\_\_, 2014 (the "**Effective Date**"), by and between CITY OF SAN CARLOS, a California municipal corporation ("City"), SAN CARLOS SUCCESSOR AGENCY, the Successor Agency to the City of San Carlos Redevelopment Agency ("Successor Agency"), and the SAN MATEO COUNTY FREE LIBRARY SYSTEM ("Library System").

### RECITALS

A. The City of San Carlos Redevelopment Agency (the "Redevelopment Agency") was activated by the City Council of the City of San Carlos (the "City Council") as a redevelopment agency under the California Community Redevelopment Law (Health & Safety Code Section 33000 *et seq.*).

B. On June 28, 2011, the California Legislature enacted, and the Governor signed, Assembly Bill 26 from the 2011-12 First Extraordinary Session of the California Legislature ("ABx1 26") to dissolve all redevelopment agencies in the State of California. ABx1 26 added a new Part 1.85 to Division 24 of the California Health and Safety Code (Health and Safety Code Section 34170 *et seq.*; the "Dissolution Law").

C. On January 9, 2012, and pursuant to Health and Safety Code Section 34173, the City Council declared that the City of San Carlos (the "City") would act as the Successor Agency to the Redevelopment Agency (the "Successor Agency"). On February 1, 2012, the Redevelopment Agency was dissolved.

D. On June 27, 2012, the California Legislature enacted, and the Governor signed, Assembly Bill 1484 ("AB 1484"), which, among other things, made certain revisions to the Dissolution Law.

E. The Successor Agency is a separate public entity and is responsible for taking certain actions pursuant to the Dissolution Law.

F. The Oversight Board to the Successor Agency to the Redevelopment Agency ("Oversight Board") has been established to oversee and approve certain of the actions taken by the Successor Agency in connection with the winding down of the affairs of the former Redevelopment Agency.

G. The City owns property currently used as public parking and commonly known as "Wheeler Plaza"; the development of a mixed-use project on Wheeler Plaza and adjacent real properties acquired by the former Redevelopment Agency adjacent to Wheeler Plaza, including residential units, commercial space and a public parking garage, commonly referred to as the "Wheeler Plaza Project," has been a vision of the City for more than a decade and was chosen as one of the top five priorities in the Economic Development Plans adopted by the City in 2007 and 2010.

H. Pursuant to Health and Safety Code section 34191.5, added by AB 1484, the Successor Agency prepared a Long-Range Property Management Plan ("LRPMP") addressing the disposition and use of the real property of the former Redevelopment Agency for the Wheeler Plaza Project. The LRPMP was submitted to the Oversight Board and the Department of Finance for approval in accordance with section 34191.5 following the issuance to the Successor Agency of a finding of completion.

I. The City and Silverstone Development--Northern California, LLC (the "Developer"), entered into a Disposition and Development Agreement (the "DDA") providing for the development by the Developer of the Wheeler Plaza Project, which DDA was approved by the City Council on April 8, 2013.

J. According to the City, the Wheeler Plaza Project cannot proceed without the inclusion of property owned by the Successor Agency identified as 1245 San Carlos Avenue (the "Property").

K. The City and the Successor Agency entered into a Cooperation Agreement (the "Cooperation Agreement") providing for the Successor Agency's sale of the Property to the Developer consistent with the terms of the DDA for the sum of \$1, which sum, according to the City, represents the fair reuse value of the Property in light of the covenants, conditions and development costs required by the DDA. The transactions contemplated by the DDA and the Cooperation Agreement are contingent upon approval by the State of California Department of Finance ("DOF").

L. The Oversight Board, which represents the affected taxing entities, initially reviewed the Wheeler Plaza Project at its meeting on April 30, 2013, and approved the contribution of the Property to the Wheeler Plaza Project.

M. By letter dated July 25, 2013, the DOF refused to approve the original arrangement; the Successor Agency subsequently amended the Cooperation Agreement and LRPMP to, in part, provide more clearly that the Successor Agency will be selling the Property directly to the Developer.

N. The Oversight Board reviewed the Amended Cooperation Agreement and LRPMP at its meeting on September 9, 2013, and again approved the contribution of the Property to the Wheeler Plaza Project.

O. The Successor Agency submitted the Oversight Board's approval of the Amended Cooperation Agreement and Amended LRPMP to DOF on September 17, 2013, and DOF, by letter dated November 1, 2013, has recommended that the Successor Agency may transfer the Property to the City for future development provided it reaches compensation agreements with all of the affected taxing entities pursuant to Health and Safety Code section 34180(f)(1).

P. The City and Successor Agency believe that the sale of the Property directly to the Developer will, if approved through compensation agreements with all of the affected taxing entities, satisfy the recommendations of DOF.

Q. The LRPMP provides for sale of the Property to the Developer and does not contemplate any other disposition of the Property at this time. Any other disposition of the Property will require a revised LRPMP with Oversight Board and DOF approval.

R. The taxing entities that receive "residual distributions" through the redevelopment agency dissolution process under the Dissolution Law and that would receive a portion of the proceeds of the sale of the Property if the Property were to be sold at fair market value (hereinafter the "affected taxing entities") are listed, together with their respective pro rata shares of such distribution(s), in Exhibit A, attached hereto and incorporated herein by this reference; the Library System's share is identified as "San Mateo County (Library)", Account Number 001001

### **AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals, which are incorporated herein by this reference, and the mutual promises in this Agreement, the parties agree as follows:

**Section 1.** The City and the Successor Agency assert and represent that each of the foregoing recitals, and each of the following, are true and accurate statements:

- a. Exhibit A lists the affected taxing entities and their respective pro rata shares of the property tax revenues from the property within the boundaries of the San Carlos Redevelopment Project Area, as provided by the Auditor-Controller of the County of San Mateo.
- b. The estimated incremental increase in the distribution to be derived by the Library System as an affected taxing entity from the property encompassing the Wheeler Plaza Project, as a result of the contribution of the Property to, and the development of the Wheeler Plaza Project assuming a total assessed value of \$72,000,000, as planned, is set forth in the column of Exhibit B titled "If Wheeler Plaza Project Developed," which Exhibit is attached hereto and incorporated herein by this reference.
- c. The estimated incremental increase in the distribution to be derived by the Library System as an affected taxing entity from the property encompassing the Wheeler Plaza Project, if the Property is not contributed to the development of the Wheeler Plaza Project as planned but is instead sold for \$2,000,000, and the Wheeler Plaza Project is not developed as planned, is set forth in the column of Exhibit B titled "If Property Sold/No Wheeler Plaza."
- d. The estimated fair market value of the Property as of the effective date of this Agreement is Two Million Dollars (\$2,000,000), and the Wheeler Plaza Project will not move forward without the sale of the Property to the Developer for the sum of \$1.00.

- e. The obligations on the current Recognized Obligation Payment Schedule ("ROPS") of the Successor Agency include obligations that will continue until sometime in calendar year 2035 (i.e., not earlier than 20 years from the effective date of this Agreement). Accordingly, whether or not an affected taxing entity is within the same Tax Rate Area ("TRA") as the Wheeler Plaza Project should not be a factor affecting the distribution of property tax revenues from the property encompassed by the Wheeler Plaza Project during that 20 year period.

**Section 2.** (a) The Library System approves the sale of the Property to the Developer for the Wheeler Plaza Project for the sum of \$ 1.00 ("disposition price"), provided that the Property is developed as part of the Wheeler Plaza Project as contemplated by the City and the Developer. The Library System understands that the compensation to the Library System from the contribution of the Property will consist of increased property tax revenues to be derived from development of the Wheeler Plaza Project (as estimated in Exhibit B). The Library System further understands (i) that the estimates provided in Exhibit B are based on information provided by the Auditor-Controller of San Mateo County as to the identity of the affected taxing entities and their respective pro rata shares, (ii) that the estimates provided in Exhibit B are based on certain assumptions, including an overall assessed value of \$72,000,000 for the completed Wheeler Plaza Project, and (iii) that the City cannot and is not making any guarantee that the Library System will receive any specific amount of increased property tax revenues.

(b) If, for any reason, Developer and City determine to increase the disposition price for the sale of the Property to an amount greater than the stated disposition price ("alternate disposition price"), which alternate disposition price must be approved by the Oversight Board and DOF, the City and Successor Agency hereby agree that the Library System shall receive its pro rata share of the net proceeds, if any, resulting from the sale of the Property at the approved alternate disposition price in accordance with applicable provisions of the Dissolution Law.

(c) With regard to the Property, the deed restriction right of reverter described in Section 6.8 of the DDA shall identify the Successor Agency as the entity in whose favor the title reverts. If the rights to repurchase, reenter, repossess or reverter are triggered under Section 6.7 or 6.8 of the DDA, and the City is exercising those rights with respect to the "City Parcels" (as defined in the DDA), then the Oversight Board may instruct the City to exercise one or more of those rights on behalf of the Successor Agency as to the Property, and the City shall so exercise those rights.

**Section 3.** The Parties acknowledge and agree that they are entering into this Agreement in order to satisfy the requirement presented by DOF to the effect that the City and Successor Agency enter into a compensation agreement with each of the affected taxing entities.

**Section 4.**

- a. **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

b. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

c. No Assignments. This Agreement may not be assigned by any of the parties hereto.

IN WITNESS WHEREOF, this Compensation Agreement between and among the City, the Successor Agency and the Library System is effective as of the day and year first above written.

CITY

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

Title: \_\_\_\_\_

APPROVED AS TO FORM:

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

Title: \_\_\_\_\_

SUCCESSOR AGENCY

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

Title: \_\_\_\_\_

APPROVED AS TO FORM:

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

Title: \_\_\_\_\_

LIBRARY SYSTEM

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

Title: \_\_\_\_\_

APPROVED AS TO FORM:

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

Title: \_\_\_\_\_

ATTEST

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

Clerk of Said Board

**TAXING ENTITY BREAKDOWN/SAN CARLOS RDA**

<b>Account Number</b>	<b>Account Description</b>	<b>2013-14 Factors</b>
000100	San Mateo County (General)	0.2710544582
001001	San Mateo County (Library)	0.0395124575
018601	City of San Carlos	0.1325095278
030070	Belmont-Redwood Shores School District	0.0069359804
030840	Redwood City School District	0.0043003091
030860	San Carlos School District	0.2027190562
040890	Sequoia Union High School District	0.1786053592
060870	San Mateo County Community College District	0.0775593444
071070	Belmont Fire District	0.0000000000
072450	Harbor Industrial Sewer Maintenance District	0.0000521107
077070	Mid-Peninsula Water District	0.0000313257
078560	Midpeninsula Regional Open Space District	0.0210011640
079020	Bay Area AQMD	0.0023900414
079450	San Mateo County Harbor District	0.0040318776
079600	San Mateo County Mosquito & Vector Control District	0.0021948474
079890	Sequoia Healthcare District	0.0167391555
079994	San Mateo County Office of Education	0.0403629850
		1.0000000000

SAN MATEO COUNTY LIBRARY / 3.951% SHARE				
Net Impact of Wheeler Plaza Project				
Year	If Property Sold / No Wheeler Plaza	If Wheeler Plaza Project Developed	Net Revenue To District	
	\$2.0M Land Sale \$0 Development	\$1 Land Sale \$72M Development		
Year 1	\$ 79,025	\$ 3,564	\$	(75,461)
2	806	4,527		3,721
3	822	14,026		13,204
4	839	28,596		27,757
5	855	29,311		28,455
6	872	30,044		29,171
7	890	30,795		29,905
8	908	31,565		30,657
9	926	32,354		31,428
10	944	33,163		32,218
11	963	33,992		33,028
12	983	34,841		33,859
13	1,002	35,712		34,710
14	1,022	36,605		35,583
15	1,043	37,520		36,478
16	1,064	38,458		37,395
17	1,085	39,420		38,335
18	1,107	40,405		39,299
19	1,129	41,415		40,287
20	1,151	42,451		41,300
<b>Total</b>	<b>97,436</b>	<b>618,764</b>		<b>521,329</b>
NPV				356,531
Return				28%