



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
Public Works



Date: February 19, 2014
Board Meeting Date: March 11, 2014
Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors, Acting as the Governing Board of the San Mateo County Free Library System

From: James C. Porter, Director of Public Works

Subject: Wheeler Plaza Project Compensation Agreement with the City of San Carlos and the San Carlos Successor Agency

RECOMMENDATION:

Acting as the Governing Board of the San Mateo County Free Library System, adopt a Resolution authorizing a Compensation Agreement with the City of San Carlos and the San Carlos Successor Agency with regard to the sale of the property located at 1245 San Carlos Avenue, as part of the Wheeler Plaza Project (Continued from the meeting of February 25, 2014)

BACKGROUND:

In early 2013, the City of San Carlos (City) entered into a Disposition and Development Agreement (DDA) with Silverstone Development for the development of a mixed-use project, including residential and commercial condominium spaces and a public parking garage, in downtown San Carlos, commonly referred to as the Wheeler Plaza Project (Project). The development of the 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 City's Economic Development Plans adopted in 2007 and 2010. The Project includes the assemblage and development of five separate properties, and has been approved, to the extent applicable, by the City, the San Carlos Successor Agency and the San Carlos Oversight Board.

The property at 1245 San Carlos Avenue (the "Property"), which is one of the properties being assembled for the Project, was owned by the San Carlos Redevelopment Agency at the time of its dissolution and is thus now owned by the Successor Agency. The City and the Successor Agency wish to transfer the Property to Silverstone Development for \$1.00 pursuant to the DDA. Before it will approve the transfer under the indicated terms, the State Department of Finance (DOF) is requiring that the City and Successor Agency enter into Compensation Agreements with each of the affected taxing entities.

An affected taxing entity is an entity that shares in any future residual property tax revenue generated by the former San Carlos Redevelopment Agency, including proceeds from the disposition of assets and the sale of properties. There are 17 affected taxing entities, of which the Library System is one.

DISCUSSION:

The Project, if it goes forward, will provide much needed local housing, updated commercial space and additional public parking that will benefit downtown San Carlos and the areas around it. The development of the Project will result in an increase in the residual property tax revenue to be paid to the taxing entities, including the Library System. The City asserts that the Project will not proceed without the inclusion of the Property and the sale to Silverstone Development pursuant to the DDA price of \$1.00.

The City estimates that the Property is currently worth Two Million Dollars (\$2,000,000) and that the overall assessed value of the completed Project will be in the range of \$72,000,000; and that over 20 years the aggregate revenue received by the taxing entities, including the Library System, from the Project area will exceed the revenues were the Property to be liquidated and the Project not go forward. No formal appraisal of the current market value of the Property has been performed and while the City estimates that value to be in the range of \$1,670,000 to \$2,000,000, the County's Real Property Services Unit estimates that value to be in the range of \$3,300,000 to \$3,680,000.

The proposed Compensation Agreement provides for the Library System's approval of the sale of the Property to Silverstone Developer for \$1 and obligates the City and Successor Agency to provide the Library System its pro rata share of the proceeds should the Developer pay a different price for the Property. The Compensation Agreement requires the City and Successor Agency to confirm their assertions regarding the estimated values and revenues and the need for the transfer of the Property to the Silverstone Developer pursuant to the DDA.

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.

County Counsel has reviewed and approved the Resolution and agreement as to form. The County Manager has recused himself from this matter, and has not participated or engaged in any aspect of this matter.

Approval of this agreement contributes to the Shared Vision 2025 outcome of a Prosperous Community by supporting a significant redevelopment opportunity for the City that will provide an overall benefit to the public and the majority of the underlying taxing entities.

FISCAL IMPACT:

The Library System receives a portion of the future residual property tax revenue generated by the real property within the former San Carlos Redevelopment Agency Project Area. According to the City, over the 20 year evaluation period, the Wheeler Plaza Project will result in a net revenue increase for the Library System estimated at \$618,764, which is well in excess of the estimated \$97,436 that the Library System would receive from the immediate liquidation of the 1245 San Carlos Avenue property at \$2,000,000.