Meeting Date: 8/21/12

AGENDA REPORT

City of Santa Clara, California

Agenda Item # 6C.1

Santa Clara
All-America City
2001

Date: August 17, 2012

To: City Manager/Executive Officer of the Successor Agency of the Redevelopment Agency of the City of Santa Clara
Executive Director of the Santa Clara Stadium Authority

From: Assistant City Manager

Subject: Authority to Enter into a Settlement Agreement in Forty Niners SC Stadium Company, LLC vs. Oversight Board for the Successor Agency to the Redevelopment Agency of the City Santa Clara

EXECUTIVE SUMMARY:

The Redevelopment Agency of the City of Santa Clara, the Santa Clara Stadium Authority and the Forty Niners Stadium LLC entered into various agreements regarding the funding of the Santa Clara Stadium including a Cooperation Agreement to Assist a Publicly Funded Stadium, a Predevelopment Funding Agreement, a Disposition and Development Agreement and a promissory note ("Stadium Agreements"). The Agreements, among other things, evidenced a commitment by the Redevelopment Agency of the City of Santa Clara to provide up to $40,000,000 in tax increment funds for the development of the Stadium. As a result of the adoption of the Redevelopment Dissolution Act (the "Dissolution Act") by the State in June of 2011, the Redevelopment Agency was dissolved effective February 1, 2012. The Dissolution Act also appoints a seven-person Oversight Board composed of members of taxing entities within the redevelopment project areas. The Oversight Board is charged with reviewing and approving actions of the Successor Agency and approving Recognized Obligation Payment Schedules that are to list all of the enforceable obligations of the former Redevelopment Agency.

On June 22, 2012, the City, acting as the Successor Agency to the former Redevelopment Agency, requested that the Oversight Board add the Stadium Agreements to the Recognized Obligation Payment Schedule and determine that the Stadium Agreements represented enforceable obligations to be paid from the Redevelopment Property Tax Trust Fund. The Oversight Board instead voted to terminate the Stadium Agreements. The Forty Niners SC Stadium Company, LLC ("StadCo") sued the Oversight Board, the County Auditor-Controller and the County of Santa Clara and petitioned for a temporary restraining order prohibiting the County and the County Auditor Controller from disbursing any funds currently held in the Redevelopment Property Tax Trust Fund until a hearing on the merits of StadCo's claims was held. On July 3, 2012, the Sacramento Superior Court granted StadCo's request for a Temporary Restraining Order (TRO) finding that there was a substantial likelihood that StadCo would prevail on the merits of its lawsuit. The Court originally set a hearing date on the matter for August 17, 2012 but at the request of the parties to the litigation, and in recognition of settlement discussions occurring, the hearing was rescheduled to early January 2013.

Since the issuance of the TRO, StadCo and the Oversight Board have been negotiating the terms of a settlement. On August 9, 2012, StadCo and the Oversight Board reached tentative agreement on the terms of a settlement and the Oversight Board set a meeting for August 22, 2012, to approve the final terms of the settlement. The Terms of the Settlement Agreement are expected to include a payment schedule for repaying the funds advanced by StadCo that takes into account the needs of the taxing entities for distributions of funds from the Redevelopment Property Tax Trust Fund. The Successor Agency, as the successor to the Redevelopment Agency, and the Stadium Authority are parties to the Stadium Agreements and must approve the terms of the settlement.

ADVANTAGES AND DISADVANTAGES OF ISSUE:

Settlement of the litigation will allow the funds currently being held in the Redevelopment Property Tax Trust Fund to be released to the taxing entities and StadCo in accordance with the terms of the settlement agreement, providing near term benefits to the taxing entities.

ECONOMIC/FISCAL IMPACT:

The proposed settlement allows for payment of the amounts owed under the Stadium Agreements while ensuring that the obligations of the former Redevelopment Agency continue to be satisfied. The proposed settlement is anticipated to allow for repayment of the cash advance made by the City to the Successor Agency in June of this year in order to prevent a default under former Redevelopment Agency bonds. Although actual payment of this amount is still contingent on the approval of the Department of Finance, it is also anticipated that the payment amounts included in the Settlement Agreement would leave sufficient funds in the Redevelopment Property Tax Trust Fund for this repayment.

RECOMMENDATION:

While staff is anticipating the successful conclusion of negotiations between StadCo and the Oversight Board, the final details of the proposed Settlement Agreement has not yet been completed. After receipt of the Settlement Agreement, Staff will prepare a supplemental analysis of the Settlement Agreement and staff recommendation for consideration of adoption of a resolution which will be presented at the City Council meeting.

One of the following actions would be requested by Council/Stadium Authority:

That the City:

1. Adopt a Resolution, acting as the Governing Board of the Successor Agency for the Redevelopment Agency of the City of Santa Clara, approving a Settlement Agreement by and among the Forty Niners SC Stadium, LLC, (StadCo), the Oversight Board to the Successor Agency, the Santa Clara Stadium Authority and the Successor Agency and approving an amendment to the Recognized Obligation Payment Schedule (ROPS) for the period of July through December 2012;

That the Stadium Authority:

2. Adopt a Resolution approving a Settlement Agreement by and among the Forty Niners SC Stadium, LLC (StadCo), the Oversight Board to the Successor Agency to the Redevelopment Agency of the

City of Santa Clara and the Santa Clara Stadium Authority and approving an amendment to the Recognized Obligation Payment Schedule (ROPS) for the period of July through December 2012.

Or

Continue discussions until the successful conclusion of negotiations between StadCo and the Oversight Board.

Alan Kurotori
Assistant City Manager

APPROVED:

Ronald E. Garratt
Interim City Manager

Documents Related to this Report: ***None***