



**Contra
Costa
County**

To: Board of Supervisors
From: John Kopchik, Director, Conservation & Development Department
Date: September 13, 2016

Subject: Amendment to the Amended and Restated Joint Exercise Of Powers Agreement for the Pleasant Hill BART Station Leasing Authority

RECOMMENDATION(S):

ADOPT Resolution No. 2016/531 approving and authorizing the Conservation and Development Director, or designee, to execute the first amendment to the First Amended and Restated Joint Exercise of Powers Agreement for the Pleasant Hill BART Station Leasing Authority, to allocate future "Block C" revenue between the County and San Francisco Bay Area Rapid Transit District (BART), and finding that the amendment is exempt from the California Environmental Quality Act and no subsequent environmental review is required.

FISCAL IMPACT:

The amendment would provide the County with a share of the lease revenue from a portion of the property owned by BART that the parties had previously anticipated would be sold with proceeds to BART. The County is not expected to experience a fiscal impact from the lease revenue generated by the sublease of Block C until approximately 2042, when priority payments to BART are expected to end. The amendment will also increase the percentage of rent that is allocated to expenses associated with administration of the joint powers authority from 2% to 3%. The increase will provide a more reliable revenue stream to cover costs incurred by the County in administering the joint powers authority.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR

☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **09/13/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor
Candace Andersen, District II Supervisor
Mary N. Piepho, District III Supervisor
Karen Mitchoff, District IV Supervisor
Federal D. Glover, District V Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: September 13, 2016

David Twa, County Administrator and Clerk of the Board of Supervisors

By: June McHuen, Deputy

Contact: Maureen toms,
925-674-7878

cc:

BACKGROUND:

The San Francisco Bay Area Rapid Transit District (BART), the County, and the dissolved Contra Costa County Redevelopment Agency (Dissolved RDA) executed a joint exercise of powers agreement (the JEPA), thereby creating the Pleasant Hill BART Leasing Authority (the “Authority”) in 2004. The purpose of the Authority was

BACKGROUND: (CONT'D)

to facilitate the development of mixed-use residential, employment and retail uses around the Pleasant Hill/Contra Costa Centre BART Station (the "Transit Village Project"). The Transit Village Project is being developed on a number of different parcels, referred to as Blocks A, B, C, D and E. The Authority leases the "Blocks" from BART and subleases them to a developer. The Dissolved RDA, as a member of the Authority, committed to financing a variety of public improvements under various partnering documents. The improvements included the BART patron replacement parking garage, backbone infrastructure (roads, drainage, etc.) and place-making infrastructure (parks, plazas, street furniture). The Transit Village Project broke ground in 2008 and opened the first phase in 2010, but is not yet fully completed. In 2011, the California state legislature enacted Assembly Bill X1 26 (the "Dissolution Act") to dissolve redevelopment agencies in California. On December 4, 2012, the JEPA was amended and restated to remove the Dissolved RDA from the Authority.

Under the original JEPA, after applying a portion of the sublease revenue to the Authority's administration expenses, sublease payments received by the Authority were allocated, first, to reimburse the Dissolved RDA for the cost of temporary parking improvements, second, to the County for expenses advanced for cost overruns on the parking garage, and, third, to the County and BART, with the County getting 75% and BART getting 25%. The Dissolved RDA has been repaid and, currently, the lease revenue from Blocks A, B and E are being applied to satisfy the additional costs for the parking garage. The contemplated amendment to the JEPA does not alter the treatment of lease revenue from Blocks A, B and E.

The existing JEPA does not address the treatment of lease revenue generated by Block C because the parties expected that Block C would be sold, not leased. By mutual agreement, the plan for Block C has changed. Instead of Block C being sold to the developer for construction of 100 for-sale residential units, Block C will be leased to the Authority and then subleased to the developer. The developer will then construct 200 for-rent residential units on the site.

To effect the new plan, the JEPA is being amended to address how lease revenue from Block C is to be shared by BART and the County. As before, a portion of the lease revenue will be applied to the Authority's administration expenses. After that, to approximate the economics of the originally-contemplated transaction, BART will receive all of the revenue generated by the sublease of Block C until BART receives the equivalent of \$4 million on a net present value basis, using a discount rate of 4%. Once BART has received that amount, the revenue will be shared by the County and BART, with the County receiving 75% of the revenue stream and BART receiving 25%. It is expected that the County will begin receiving cash flow from the sublease of Block C in 2042.

The contemplated amendment also addresses two administrative issues. First, in the

interest of reducing administration expenses, it alters the timing of the budget cycle to provide the Authority board more flexibility with respect to how often it must adopt a budget. Second, it increases the percentage of lease revenue that is allocated to administration expenses from 2% to 3%. For the past several years, actual expenses have exceeded the amount of revenue allocated to expenses, creating a deficit. The increase in the percentage of rent allocated to the cost of administration will provide for those costs to be covered. The JEPA has a mechanism for any excess administrative revenues to be split between the County and BART, however, there is currently no mechanism to draw down additional funds to cover administrative costs when there is a deficit.

CONSEQUENCE OF NEGATIVE ACTION:

The next phase of the Transit Village will not move forward to development.

ATTACHMENTS

Resolution No. 2016/531