



CITY OF SANTA BARBARA

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA AGENDA REPORT

AGENDA DATE: September 22, 2015

TO: Successor Agency Board Members

FROM: Community Development Administration

SUBJECT: Consent To Paseo Nuevo Lease Assignments And Authorize Execution Of Estoppel Certificates

RECOMMENDATION:

That the Successor Agency Board adopt, by reading of title only, A Resolution of the Successor Agency to the Redevelopment Agency of the City of Santa Barbara Authorizing the Executive Director to Acknowledge Assignment and Consent to Release of Liability of the Paseo Nuevo Ground Lease and Related Agreements and to Issue Two Estoppel Certificates Relating to the Paseo Nuevo Shopping Center in Connection with a Transfer of the Paseo Nuevo Ground Lease and Related Agreements from I&G Direct Real Estate 3, LP, a Delaware Limited Partnership, to Paseo Nuevo Owner LLC, a Delaware Limited Liability Company, all in a Form Acceptable to Agency Counsel.

BACKGROUND:

The Redevelopment Agency of the City of Santa Barbara and Santa Barbara Associates entered into a Ground Lease dated February 24, 1989, which lease has been subsequently amended and assigned to new tenants three times. The Ground Lease, with a term of fifty (50) years, together with a series of related agreements, provides for the development and operation of the Paseo Nuevo Shopping Center as a redevelopment project within the City of Santa Barbara.

The Ground Lease and related agreements were most recently assigned in 2002 to the current tenant, I&G Direct Real Estate 3, LP ("I&G"). I&G is now transferring its interest in the Lease and agreements to its wholly-owned subsidiary, Paseo Nuevo Owner, LLC, a Delaware limited liability company. Because Paseo Nuevo Owner is wholly-owned and controlled by I&G, the Successor Agency's consent to the assignment is not required under the terms of the lease. However, I&G is seeking the Successor Agency's consent to release it from liability under the Lease which, under the terms of the Lease, requires that Agency consent. I&G is seeking release from liability under the lease because it is also

selling 20% of its interest in the Paseo Nuevo Owner LLC to Paseo Nuevo Pacific LLC. The new tenant, Paseo Nuevo Owner, has assumed all of the ground lessee's obligations under the Ground Lease and all related agreements.

Wells Fargo Bank is providing a new leasehold mortgage to the tenant. Well Fargo, together with I&G and the new Tenant, have requested that the Agency execute two estoppel certificates under which the Agency is asked to confirm certain existing facts relative to the Ground Lease and the Construction, Operation and Reciprocal Easement Agreement.

The Redevelopment Agency, as owner of the underlying property, was the landlord under the lease until the RDA dissolution in 2012. Upon dissolution, the property transferred by operation of law to the Successor Agency. On May 15, 2015, the California Department of Finance approved the Successor's Agency Long Range Property Management Plan ("LRPMP") for the Paseo Nuevo parcels. The LRPMP designates the transfer of the property to the City of Santa Barbara so that the City can fulfill the obligations of landlord under the lease. On September 18, 2015, the Oversight Board adopted Resolution No. 27 directing the Successor Agency to implement the LRPMP and transfer the property to the City. A joint Successor Agency/City Council meeting will be scheduled in the very near future in order for that action to occur.

Staff recommends the Agency Board acknowledge the assignments and consent to the release of liability of I&G and authorize the Executive Director to execute the Estoppel Certificates.

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