



# COUNTY OF SAN DIEGO

## AGENDA ITEM

### BOARD OF SUPERVISORS

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**DATE:** September 24, 2024

**05**

**TO:** Board of Supervisors

### SUBJECT

**APPROVE COMPENSATION AGREEMENT REGARDING BALBOA THEATRE  
PROPERTY RETAINED BY THE CITY OF SAN DIEGO FOR FUTURE DEVELOPMENT  
(DISTRICTS: ALL)**

### OVERVIEW

On February 1, 2012, California redevelopment agencies were dissolved, and successor agencies were appointed to wind down redevelopment affairs, including the disposition of real estate owned. ABX1 and AB 1484 (collectively known as the “Dissolution Act”) provide the methods of disposition available to successor agencies after a Long Range Property Management Plan (LRPMP) is prepared and approved.

The California Department of Finance approved a final, amended version of the City of San Diego (City) Successor Agency’s LRPMP on October 15, 2015. One of the properties included in the approved LRPMP is the Balboa Theatre property. The Balboa Theatre is an approximately 44,000 square-feet, five-story building, located on an approximately 15,000 square feet parcel at 868 Fourth Avenue in Downtown San Diego. This property has been retained by the City for future development in accordance with its LRPMP.

According to California Health and Safety Code Section 34180, a compensation agreement must be established between the city retaining ownership of a future development site and the other affected taxing entities associated with the former redevelopment area, wherein the affected taxing entities receive payments from the city in proportion to their shares of the base property tax for the value of the property retained by the city for future development. The County of San Diego (County) is one such affected taxing entity associated with the Balboa Theatre property. Today’s action is to approve the compensation agreement between the City and the County, and direct the Clerk of the Board to execute the agreement.

Today’s action supports the County vision of a just, sustainable, and resilient future for all, specifically those communities and populations in San Diego County that have been historically left behind, as well as the ongoing commitment to the regional *Live Well San Diego* vision of healthy, safe, and thriving communities. This will be accomplished by negotiating a fair compensation agreement and providing one-time funding for County programs.

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**RECOMMENDATION(S)**

**CHIEF ADMINISTRATIVE OFFICER**

1. Approve the Compensation Agreement regarding the Balboa Theatre property retained by the City of San Diego for future development and direct the Clerk of the Board to execute the Agreement.

**EQUITY IMPACT STATEMENT**

The dissolution of redevelopment agencies throughout the State has assisted local jurisdictions to better preserve funding for core public services by allowing them to have more decision-making input of the development of communities, as well as resulting revenues. A compensation agreement for the Balboa Theatre property, retained by the City of San Diego for future development, will provide the County of San Diego with revenue that can be used toward investments back into the community which includes, but are not limited to, programs and services to help improve the health and public safety of residents.

**SUSTAINABILITY IMPACT STATEMENT**

Today's proposed action supports the County of San Diego (County) Sustainability Goal #1 to engage the community. The Balboa Theatre redevelopment has the potential to become a focal point for the local community by enhancing commercial activity in the area. The project aligns with the County goal of engaging the community by creating spaces that encourage social interaction, local commerce, and community events. By revitalizing this area, the development can help build a stronger sense of community identity and foster active participation from residents in shaping the future of their neighborhood.

**FISCAL IMPACT**

As part of the terms of the compensation agreement, the allocation of proportional share of revenue would only be disbursed to the affected taxing entities 30 days after the close of escrow. Funds for this request are not typically included in the annual Operational Plan in the Health and Human Services Agency. If approved, this request may result in one-time revenue of approximately \$625,247 in the affected fiscal year, upon successfully meeting terms of the compensation agreement. The estimate is based on the compensation amount allowed by Health and Safety Code, which is calculated using the 2011 appraised value of \$4,070,000, less \$85,000 in appraisal, escrow and closing costs, multiplied by the County of San Diego's proportional share of the base property tax for the property (approximately 15.69%). The funding source is a payment from the City of San Diego. There will be no change in net General Fund cost and no additional staff years.

**BUSINESS IMPACT STATEMENT**

N/A

**ADVISORY BOARD STATEMENT**

N/A

**BACKGROUND**

California redevelopment agencies were dissolved on February 1, 2012, and successor agencies

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were appointed by sponsoring agencies to wind down redevelopment affairs, including the disposition of real estate owned. ABX1 26 and AB 1484 (together known as the “Dissolution Act”) provide the methods of disposition available to successor after a Long Range Property Management Plan (LRPMP) is prepared and approved. Properties of a former redevelopment agency may either be: 1) transferred to the sponsoring agency for governmental purposes, 2) sold on the open market in an expeditious manner, aimed at maximizing value, 3) retained in conjunction with an enforceable obligation, approved by the California Department of Finance, or 4) retained for future redevelopment activities by the sponsoring agency (i.e., the city that originally created or sponsored the dissolved redevelopment agency), in conjunction with a compensation agreement, wherein the affected taxing entities receive payments from the sponsoring agency in proportion to their shares of the base property tax for the value of the property retained (California Health and Safety Code section 34180).

The amended and restated LRPMP of the City of San Diego (City) Successor Agency, approved by the Department of Finance on October 15, 2015, includes a property known as the Balboa Theatre, which is an approximately 44,000 square feet, five-story building, with a total seating capacity of 1,339, located on an approximately 15,000 square feet parcel at 868 Fourth Avenue in Downtown San Diego. Its current and future use include a live performance, cultural and performing arts venue. The property is currently leased to San Diego Theatres. Inc., which manages and operates the Balboa Theatre on behalf of the City. This property has been retained by the City in accordance with the LRPMP within the “future development” category. The City is evaluating its options for disposition of the Balboa Theatre to a buyer or a long-term lessee, while ensuring that the disposition is compliant with the LRPMP, redevelopment dissolution law, and California’s Surplus Land Act.

The Dissolution Act requires the City to enter into a compensation agreement with the other affected taxing entities for each future development site, specifying the City’s payment of compensation to the other affected taxing entities based on the fair market value of the future development site as of the 2011 lien date, which corresponds to when the California Legislature enacted the Dissolution Act. California Health and Safety Code section 34180(f) states that if no agreement is reached on valuation of the future development site, the value will be the fair market value as of the 2011 property tax lien date, as determined by an independent appraiser, approved by the Oversight Board. The Oversight Board oversees and approves certain actions of all San Diego County area successor agencies, and manages the assets of the former redevelopment agencies, the repayment of debts, and the fulfillment of other redevelopment agency obligations. Accordingly, the City retained the Oversight Board-approved appraisal firm of Jones, Roach & Caringella, Inc., who established that \$4,070,000 is the value of Balboa Theatre as of the 2011 property tax lien date.

Under the proposed compensation agreement for Balboa Theatre, the City will pay the compensation amount to the County and the other affected taxing entities within 30 days after the close of escrow on the City's disposition of Balboa Theatre to a buyer or long-term lessee. As envisioned by the LRPMP, the buyer or long-term lessee of Balboa Theatre will continue to operate Balboa Theatre as a performing and cultural arts facility, consistent with its designation as a historic resource.

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As described in Section 1 of the proposed compensation agreement, the total compensation amount will be a net figure that equals the appraised fair market value of Balboa Theatre as of the 2011 lien date, or \$4,070,000, less the City's reimbursable expenses related to the valuation and disposition of Balboa Theatre, or an estimated \$85,000 (including estimated appraisal costs of \$35,000, plus estimated escrow and closing costs, not to exceed \$50,000). Therefore, the total compensation amount payable by the City to the County and the other affected taxing entities in proportion to their respective property tax shares is presently estimated to be \$3,985,000. The compensation agreement requires the City to provide written evidence (e.g., paid invoices) substantiating the actual reimbursable expenses to be netted out in the calculation of the compensation amount.

**LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN**

Today's proposed action supports the Sustainability (Economy and Resiliency) initiative of the County 2024-2029 Strategic Plan as well as our commitment to the regional *Live Well San Diego* vision of healthy, safe, and thriving communities. This is accomplished by negotiating a fair compensation agreement and providing one-time funding for County programs.

Respectfully submitted,

  
FOR

EBONY N. SHELTON  
Chief Administrative Officer

**ATTACHMENT(S)**

Attachment A – Compensation Agreement for Property Retained by the City of San Diego for Future Development (Balboa Theatre)

Attachment B – Appraisal Report