



City Manager's Office

"Working with our community to create positive impact through service with heart."

May 23, 2025

Laura Nunn, Senior Manager
Housing Accountability Unit, Housing Policy Development
Department of Housing and Community Development
651 Bannon Street, Suite 400
Sacramento, CA 95811

Also sent via email to: laura.nunn@hcd.ca.gov

Re: City of Watsonville Exempt Surplus Land Determination Short-term Transfer of "Leased Property" for City's "Agency's Use"

Dear Ms. Nunn

This letter provides documentation to the California Department of Housing and Community Development ("HCD") of an exempt surplus land determination by the City of Watsonville ("City") and the Watsonville Public Finance Authority ("Authority") for "Leased Property" (defined below) consistent with HCD Surplus Land Guidelines, sections 400(e) and 104(c). As described in this letter, the "Leased Property" is exempt surplus land based on Government Code Section 54221(f)(1)(D) based on transfers from one local agency to another local agency for the receiving agency's use.

As shown in the attached resolutions of the City and the Authority, which will be presented to their respective governing bodies for approval on May 27, 2025, the City and the Authority intend to establish a lease revenue bond to generate funding for important public purposes (Ramsay Park and City Plaza Capital Improvements). Under the terms of the proposed lease revenue bond, the City will Ground Lease City-owned "Leased Property" to the Authority, and the Authority will concurrently lease the Leased Property back to the City for the City's ongoing governmental purposes under the Lease Agreement. To be clear, the "Leased Property" will not be developed or improved as a part of the lease revenue bonds, and the improvements funded by the lease revenue bonds are located on property that is not a part of the "Leased Property."

Since the term of the Ground Lease and the Lease Agreement may exceed 15 years (within the definition of "dispose" under Government Code Section 54221(d)(2)(B)), the City and the Authority provide this documentation of an exempt surplus land determination based on transfers to another local agency (as authorized by Government Code Section 54221(f)(1)(D)). However, since the Ground Lease and the Lease Agreement authorize no development or demolition of the Leased Property, and the City intends to continue to use the Leased Property for its existing

public purposes, the City and the Authority concurrently assert that the Ground Lease and the Lease Agreement are outside the definition of “dispose” pursuant to Government Code Section 54221(d)(2)(B).

The “Leased Property” includes: (i) City Hall, located at 250 Main Street; (ii) the Watsonville Parks and Community Services Building, located at 231 Union Street; (iii) the Watsonville Police Information Technology Building, located at 215 Union Street; and (iv) the Watsonville Youth Center, located at 30 Maple Street. Collectively this “Leased Property,” as referenced in this letter, is also identified in the attached documents as “Property” or “Leased Assets.” The City is currently using, and will continue to use, the “Leased Property” for core “City use” purposes. City Hall provides a venue for meetings of the City Council and related local agencies as well as offices for City employees. The Parks and Community Services Building provides office and meeting space for City employees of those departments providing public service to the community. The Police Information Technology Building provides critical technology infrastructure for public safety purposes. The Youth Center provides publicly available space for recreational, cultural, and after-school activities with a focus on serving middle and high school students.

While the City Council and the Authority Board of Directors will consider approval of the attached resolutions on May 27, 2025, the Ground Lease and the Lease Agreement will not be executed and effective until after a planned close for the lease revenue bond of June 26, 2025.

As you see in the attached Resolution of the City Council, Section 2, second paragraph:

The City Council hereby declares that the real property that is the subject of the Ground Lease (herein defined as the “Leased Assets”) is “exempt surplus land” as defined by California Government Code Section 54221(f)(1)(D) since the City is transferring the Leased Assets to another local agency (the Authority) for the Authority’s use. As set forth in the Ground Lease and the Lease Agreement, the Leased Assets are needed for the Authority’s use to serve as the leased property in connection with the financing of the Project, which are important public improvements that will benefit the Authority and the City.

As you see in the attached Resolution of the Authority, Section 2, second paragraph:

The Board of Directors hereby declares that the real property that is the subject of the Lease Agreement (previously defined as the “Leased Assets”) is “exempt surplus land” as defined by California Government Code Section 54221(f)(1)(D) since the Authority is transferring the Leased Assets to another local agency (the City) for the City’s use. As set forth in the Ground Lease and the Lease Agreement, the Leased Assets are needed for the City’s use to serve as the leased property in connection with the of the Project, which are important public improvements that will benefit the Authority and the City. The Leased Assets are also needed for the City’s ongoing operational purposes to provide facilities for City Hall, the Community Services Building, Police Information Technology, and Youth Center.

The attached documents provide the details of the transaction between the City and the Authority by which the City will Ground Lease the Leased Property to the Authority, and the Authority will concurrently lease the Leased Property back to the City under the Lease Agreement (by which the City will make lease payments to the Authority to fund the “Project” improvements for Ramsay Park and the City Plaza Capital Improvements). As summarized above, the attached documents confirm that the proposed Ground Lease and Lease Agreement are each a transfer from one local agency to another local agency for the receiving agency’s use. In the case of the Ground Lease from the City to the Authority, the Authority will use the Leased Property as a source of revenue for financing the improvement of important public improvements for the “Project.” In the case of the Lease Agreement from the Authority to the City, the City will continue to use the Leased Property for its existing purposes of providing space for public meetings, employee offices, and community programs. Therefore, the entire transaction is an exempt surplus land transaction in accordance with Government Code Section 54221(f)(1)(D): “Surplus land that a local agency is transferring to another local ... agency... for the receiving agency’s use....”

The City and the Authority respectfully request confirmation from HCD that the proposed Ground Lease and Lease Agreement, once executed, are an exchange of exempt surplus land under Government Code Section 54221(f)(1)(D).

Sincerely,



Tamara Vides
City of Watsonville, City Manager

cc: Marissa Duran, Administrative Services Director
Samantha W. Zutler, City Attorney
Michael W. Barrett, Burke, Williams & Sorensen Partner

Attachments: City Resolution
Authority Resolution
Ground Lease
Lease Agreement
Assignment
Bond Purchase Agreement
Indenture
Preliminary Official Statement