

City of San Leandro

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SAN LEANDRO NEWS

FOR IMMEDIATE RELEASE

February 6, 2013

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CITY AND SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY APPROVE TENTATIVE SETTLEMENT OF LITIGATION WITH THE KING FAMILY

After extensive negotiation and mediation, the City of San Leandro and the Successor Agency to the Redevelopment Agency have reached a tentative settlement with the King family that ends litigation filed against the City and Agency. The announcement that a tentative settlement has been reached was made public following a joint closed session meeting of the City Council and Board of the Successor Agency of the former Redevelopment Agency on February 4, 2013. The settlement, however, will not be final and binding until it receives approvals from the Alameda County Superior Court, San Leandro Oversight Board and the State Department of Finance, which is scheduled to occur within the next 60 days.

The Kings filed lawsuits against the former Redevelopment Agency, City and Successor Agency seeking to recover a total of \$46.8 million as payment for the lease of their property through the year 2038. If all conditions are met, under the settlement the King family will dismiss their lawsuits against the City and Successor Agency and release the lease obligation in exchange for a payment over 5 years of \$7.75 million, payable from Redevelopment Property Tax Funds. Under the settlement, the parties commit to use their best efforts to develop the King property for the benefit of the community.

"The settlement, if all conditions are met, resolves a dispute regarding a lease guarantee made in 2000 by the former San Leandro Redevelopment Agency to secure a movie theater at Bayfair,"

stated Mayor Stephen Cassidy. "The maximum potential exposure to the Successor Agency under the lease guarantee was nearly \$47 million. No monies to satisfy the settlement will come from the City's general fund, which is used to pay for police, fire, library and other city services."

Background on the Litigation

The King family are owners of 3.7 acres of property located on a portion of the Bayfair Shopping Center that has been used for parking for over two decades under lease agreements with the owners of the shopping center. In 2000, the San Leandro Redevelopment Agency, entered into a lease guarantee agreement with the Kings and Bayfair parties, to facilitate the development of the Century Theater at that location.

The Bayfair entities defaulted on the King lease payment obligation in 2011, and subsequently the Kings demanded that the Redevelopment Agency assume the lease payments for the term of the lease (ending 2038), pursuant to the guarantee. The total amount of the lease obligation through the term of the lease is calculated to be \$46,823,195.00.

A dispute arose with respect to the Redevelopment Agency's obligations under the lease guarantee, and in January 2012, the Kings filed their action against the Agency. In February 2012, redevelopment agencies in the State of California were dissolved by the State Legislature (AB26). The Kings subsequently filed an action naming the City and Successor Agency to the Redevelopment Agency as defendants in the lawsuit.

Settlement Summary

The following bullet points summarize the key terms and conditions of the proposed settlement agreement:

- The total payment is \$7.75 million payable over five years from Redevelopment Property Tax Funds (RPTTF). There is no General Fund liability. If the Successor Agency is unable to make the full payment on the first installment due July 1, 2013 or is unable to fully fund two consecutive payments, the Kings are permitted to file an agreed upon Stipulated Judgment which accelerates all amounts due. The bond obligations of

the Successor Agency will maintain priority over the payments due to the Kings, as is legally required.

- The Kings are required to use best efforts to develop their parcel. The Successor Agency and/or City are also required to use best efforts to assist in that development process.
- The Agreement is not binding until it has been approved by the Alameda County Superior Court, San Leandro Oversight Board and the State Department of Finance. The Oversight Board will consider the approval at its meeting on February 13, 2013 and, thereafter, approval by the Department of Finance will be promptly sought.
- The Kings will be providing a full release of any and all claims that they have against the City, City employees, the former Redevelopment Agency and Successor Agency.

About San Leandro

A diverse community of nearly 85,000 residents, San Leandro maintains a safe, small town feel while offering a wide range of shopping, dining, recreation amenities, miles of shoreline, and easy access to nearby regional parks and nature areas.

With access to two international airports, BART, two highways, the Port of Oakland, Silicon Valley, the highly-skilled Bay Area workforce, and a business-friendly approach by City staff, San Leandro is an ideal location for both established tech businesses and start ups to be more productive and successful. San Leandro features miles of shoreline and award-winning restaurants and coffee shops. The city is ready and able to meet the needs of the businesses today and in the future. Learn more by watching the San Leandro "Get Connected!" video at www.youtube.com/watch?v=2SnQI7cQ0UY.

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