

## **Tatum Land-Lease Update**

### **Background**

As outlined in the memo from Craig Price, General Counsel for our district, we are presenting a proposal to engage with a development team to create a future financial income stream for the district. As an overlay on top of the memo from Craig Price, this background will provide the big picture of why a land lease is in the best interest of the district.

We have two options with regards to the Tatum property. Option one is the sale of the property, the proceeds of which we could only spend on facility related needs. Option two is to keep the property, create a revenue stream via a land lease, which can be spent by on any need in the district. Under option one, the value of the Tatum property in its present condition without a County-approved development would be much less than if development rights were first established. In order to obtain full-value we would need to negotiate a purchase option with the developer who would then spend the requisite amount of time needed to obtain development rights; and until that occurred we could expect to receive only nominal option payments. Under the land lease option, we can expect to begin receiving revenue sooner and once the project is completed and the revenue stream becomes established, we will still have the option to sell our interest as lessor in the property. Plus, the land lease option will allow the district to ultimately benefit from appreciation in the value of the property, whereas selling the land locks in a financial value measured only in 2019-2020 real estate standards. A land lease will appreciate over time and will be a steady source of income into the future.

### **The Two Firms – RRM and Red Tail Acquisitions**

A project of this magnitude requires the right partners. As outlined in Mr. Price's memo, the district has been engaged in a long process to find the right business partners. We are recommending pursuing negotiations with two lead firms, and if terms satisfactory to the district can be agreed upon, entering into a long-term lease for the development of the Tatum property. The RRM Design Group will provide design services in the areas of land use planning, architecture, landscape architecture, and civil engineering. Red Tail Acquisitions will construct the project using Redwood Construction and become the long-term owner of the facility. A copy of an organizational chart is included at the end of this document.

### **The Land Lease Concept**

The idea of a land lease allows the district to continue to own land and collect income from the buildings constructed on that land. In a sense, you can think of it as renting out land to another entity. For this to make financial sense to an investor, land leases last more than a lifetime, in this case we are looking at a 99-year land lease. Red Tail Acquisitions will own the buildings

above ground and will hire another company to handle leasing and property management. The district will not be involved in property management in any manner. The estimated cumulative financial benefit to the district over 99-years will exceed \$400 million dollars.

All costs associated with obtaining required development approvals will be borne by the development team. Further the financing that will be obtained by the developer will not be secured by the Tatum property itself, only the improvements placed thereon.

There will be another additional benefit to the district once the property is fully built out as the owner needs to pay property taxes on the buildings above ground. As a community-funded district (basic aid), this project will add to the assessed valuation of our district and Goleta Union.

### **Presentation**

The attached memo from Craig Price and slide deck from RRM are included as background information. The slide deck will be presented by staff from RRM.

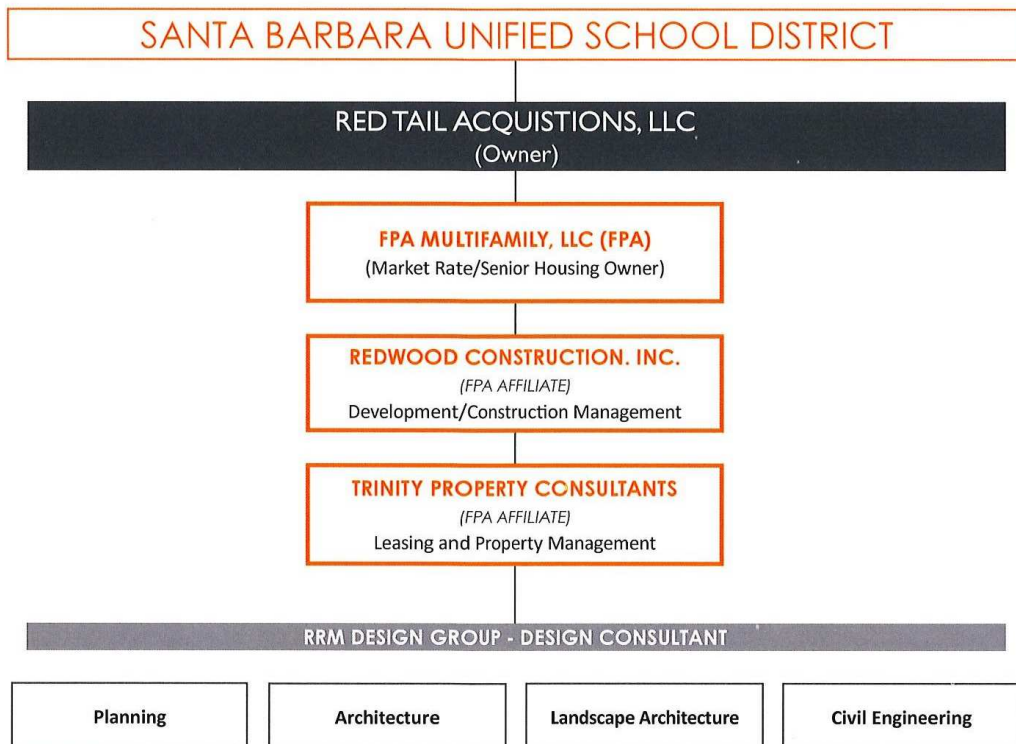
### **Recommendation**

We are asking the Board to give direction to staff about continuing to work with RRM and Redtail to develop the land lease concept and head towards a future contract.

**Project Organizational Chart (see next page)**

## INTRODUCING OUR TEAM

We believe we have assembled an exceptional team with extensive experience and a proven track record. The following chart demonstrates how the team will be organized. The primary team member, Red Tail Acquisitions (RTA) has extensive experience designing, entitling, constructing, leasing, and managing residential projects. RTA is fully integrated with in-house capabilities from entitlements and development, through construction, leasing, and management. RTA owns 600 properties across 17 states and has owned over 120,000 units. Additionally, RRM Design Group has designed and permitted nearly 1,500 units in Santa Barbara County and hundreds more projects outside of the County. RRM will provide consultant services for planning, architecture, landscape architecture, and civil engineering.



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