



City of Morgan Hill

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Date	Ver.	Action By	Action	Result
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CITY COUNCIL STAFF REPORT

MEETING DATE: SEPTEMBER 7, 2016

PREPARED BY: Leslie A. Little, Asst. City Manager/Community Development
 APPROVED BY: City Manager

REPORT REGARDING STATUS OF SOUTH COUNTY COURTHOUSE AND COUNTY OFFICE BUILDING

RECOMMENDATION(S)
 Receive report, hold discussion, and direct staff as appropriate.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities
 Enhancing public safety
 Preserving and cultivating public trust

2016 Focus Areas
 Planning Our Community
 Developing Our Community
 Enhancing Our Services
 Participating in Regional Issues

REPORT NARRATIVE:
 The South County Courthouse and County Office Building complex consists of two office buildings

and a related parking lot. The smaller building is 17,006 square feet (sf) and occupied by county offices of the District Attorney, Public Defender, and Probation. The Building is occupied by 41 County staff. The second building is the Courthouse and is 73,336 sf. The Courthouse maintains business hours from 8:30 AM - 3:00 PM, with criminal courts operating in two of the six courtrooms. Regular traffic, civil and small claims units were closed in October of 2014. Family Units were closed in January of 2016. Traffic court is held once per month.

An article in the Mercury News on July 24, 2016, entitled "\$60 Million South County Courthouse Now a Virtual Ghost Town," states that "under a new funding formula, the court receives most of their financial support from the state Judicial Council based on the number of cases filed -- including in small measure, traffic tickets. Case filings as a whole have been declining statewide, including in South County."

The article further stated that "The council came up with the new formula to divert resources to needier areas, such as San Bernardino County. Santa Clara County, which had been funded based on the historically robust financial support it once received from the county, became a so-called donor court and has had to cut services and drastically reduce staffing."

Councilmember Carr requested that this item be placed upon the agenda for City Council discussion. Court Executive Officer, David Yamasaki, has agreed to attend the September 7, 2016, City Council meeting to assist with the City Council discussion.

Background

A review of the documents establishing the County Office Building and Courthouse reveals that the City, through its former Redevelopment Agency, entered into an Acquisition, Disposition and Development Agreement (ADDA) in 2001 and a 40-year Master Ground Lease and associated Memorandum of Lease recorded in December of 2003, which facilitated the development of the South County Courthouse on Butterfield Blvd. At the time, the Master Ground lease was executed, it superseded the ADDA. The City contributed \$3.5 million to construction of the improvements and \$3.5 million to acquire the land for the facilities. The County constructed the balance of the improvements with a bond and owned the buildings on the site. According to the County, in 2009, the County transferred ownership of the Courthouse building to the Courts. The City maintained the land via Master Ground Lease until the dissolution of the Redevelopment Agency in 2012. At that time, the property which was the subject of the ground lease was transferred by the Successor Agency to the former Morgan Hill Redevelopment Agency, to the County of Santa Clara.

The Ground Lease contained a number of conditions regarding use of the property. During the first 20 years following completion, the property must be used primarily as a Courthouse and for the remainder of the term (years 21 - 40), a Courthouse or county offices. At no time may primary use of the parcel or Courthouse be a jail, correctional facility, or non-court related welfare services office. Probation services on the property are to be ancillary only or a satellite facility, which at no time may be used as the Probation Department Headquarters. Upon the termination of the lease, the property unconditionally becomes the sole property of the tenant existing at the time.

The Ground Lease prohibited sale, transfer, sublease, rental, or otherwise of its interests without landlord consent, except for a transfer to the State of California or the California Judicial Council. The Ground Lease also contained provisions for continuous operations (60% occupancy). It states that

should the Courthouse Improvements fall below 60% occupancy for more than a period of 12 months, Landlord may terminate this lease (subject to the terms of Section 1205 Bond Financing).

COMMUNITY ENGAGEMENT: Inform

This item has been set for discussion at the request of the City Council

ALTERNATIVE ACTIONS:

The Council could choose not to hear the report and engage in discussion

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

There have been no further actions regarding this property since the dissolution actions taken by the Successor Agency and the Morgan Hill Oversight Board in 2013.

FISCAL AND RESOURCE IMPACT:

There is no fiscal impact associated with the preparation of this report.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

None