



# City Council Memorandum

City of Arts & Innovation

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**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: FEBRUARY 28, 2023**

**FROM: CITY MANAGER'S OFFICE      WARDS: ALL**

**SUBJECT: FOURTEENTH AMENDMENT OF THE JOINT POWERS AGREEMENT AND A TAX AND REVENUE SHARING AGREEMENT AMONG THE CITY OF MORENO VALLEY, THE CITY OF PERRIS, THE CITY OF RIVERSIDE, AND THE COUNTY OF RIVERSIDE REGARDING THE MARCH JOINT POWERS AUTHORITY TERRITORY**

**ISSUES:**

Consider a Fourteenth Amendment to the Joint Powers Agreement to allow the March Joint Powers Authority the continued operation and management of the March Inland Port Airport Authority/civilian airport and Successor Agency of the Former March Joint Powers Redevelopment Agency while transitioning other roles and responsibilities to the County of Riverside starting July 1, 2025. In addition, a Tax and Revenue Sharing Agreement between the cities of Riverside, Moreno Valley, and Perris, and the County of Riverside is proposed to equitably share, beginning July 1, 2023, net revenue generated within the current March Joint Powers Authority Territory.

No development project decisions are contemplated in this staff report as all development project decisions require a separate public review process and fall within the jurisdiction of the March Joint Powers Commission.

**RECOMMENDATIONS:**

That the City Council:

1. Approve the Fourteenth Amended Joint Powers Agreement Between the Cities of Moreno Valley, Perris and Riverside and the County of Riverside;
2. Authorize the Mayor to execute the Fourteenth Amended Joint Powers Agreement, including making minor and non-substantive changes;
3. Approve the Tax and Revenue Sharing Agreement Among the City of Moreno Valley, the City of Perris, the City of Riverside, and the County of Riverside Regarding the March Joint Powers Authority Territory; and
4. Authorize the City Manager to execute the Tax and Revenue Sharing Agreement, including making minor and non-substantive changes.

## **BACKGROUND:**

The March Air Force Base was established as a military institution in 1918, in the early days of flight before the US Air Force was established. The base is one of the three oldest Air Force bases in the U.S. The base grew to encompass approximately 6,500 acres straddling Interstate 215 and in its present form generates an annual economic impact totaling \$579 million (Rose Institute of State and Local Government at Claremont McKenna College, 2016).

In July of 1993, March Air Force Base was selected for realignment by Congress and for a substantial reduction in its use as a military base.

Subsequent to this, the neighboring cities of Moreno Valley, Perris, and Riverside, and the County of Riverside cooperatively adopted a Joint Powers Agreement in 1993 establishing the March Joint Powers Authority (March JPA) for the joint exercise of powers to dispose of and govern the former territory of the March Air Force Base. Each of these four jurisdictions selects two of its elected officials to serve on the March Joint Powers Commission (Commission), the governing body of the March JPA. Among the primary objectives for forming the Authority was to prevent the loss of thousands of jobs, ensure the long-term viability of the airport, and facilitate economic development within the region because the former March Air Force Base served as a critical economic generator for the region.

The March JPA established the March Joint Powers Redevelopment Agency (Agency) on January 24, 1996, with the formation of the March AFB Redevelopment Project Area, which includes the entire 6,500 acre former active-duty base area, and approximately 450 acres adjacent to the base in the industrial area of the City of Moreno Valley.

Effective April 1, 1996, March AFB was converted from a Regular Component Base to a Reserve Component Base, and, as a result of the decision to realign, approximately 4,400 acres of surplus properties were made available for disposal actions, including parcels along the airfield. The March JPA was designated the local agency responsible for the former March AFB and was charged with planning for the economic redevelopment of surplus properties at the base.

The March JPA has several responsibilities, including:

*Municipal Services:* The Authority provides municipal services to the March JPA area and operates several authorities.

*Land Use Authority:* In March 1997, land use authority was transferred to the March JPA from the County of Riverside. The March JPA has adopted development and building codes and standards. The March JPA General Plan has been developed by the March JPA in accordance with state statutes, as well as the associated Master Environmental Impact Report. The March JPA General Plan is designed to implement the March Final Reuse Plan and related activities.

*March Inland Port Airport Authority:* When March AFB was announced for realignment in 1993, one of the first actions of the Department of Defense (DOD) was to offer the formation of a public "joint use airport," defined by the Air Force as one where the facilities which are owned and operated by the Air Force are made available for use by civil aviation. Approximately 360 acres east and west of the main runway are available for airport-related uses as a result of the alignment of March AFB in 1996. The March Inland Port Airport Authority (MIPAA) was formed in 1996 for the purpose of creating a public use airport. On May 7, 1997, a joint use agreement was entered into by the DOD and the March JPA, under which the civilian (JPA) and the military (Air Force

Reserve Command or “AFRC”) entities share essential aviation facilities such as the control towers and runways, and maintenance of the facilities.

Utility Authority: Formed in 2002, a Committee of the March Joint Powers Commission called “the March Joint Powers Utilities Authority” was formed to operate and maintain former military gas and electric utilities inherited by the March JPA as part of the base realignment and closure (BRAC) process. Due to the aging condition of existing utility infrastructure and the lack of funds associated with managing utilities, the March Joint Powers Utilities Authority endeavors to upgrade infrastructure where feasible, release assets to a public utility and eventually dissolve the Utility Authority in perpetuity.

Successor Agency to the former Redevelopment Agency: In 2012, the State Legislature enacted AB 26 which dissolved all California Redevelopment Agencies and provided for Successor Agencies to assume right, powers, and duties of former redevelopment agencies. As a result, the March JPA became the Successor Agency to the March Joint Powers Redevelopment Agency and administers the former Redevelopment Agency’s closing operations and obligations.

The March JPA has overseen the reuse of many properties within its jurisdiction. Tens of millions of dollars have been invested into development projects and improvements to critical infrastructure, including projects like the Heacock Channel, airport infrastructure projects, and airport property improvements such as the 215 Freeway Business Center, and the Lateral B right-of-way project that will complete Riverside County’s Perris Valley Drainage Plan. The Authority is also overseeing development of the Meridian Business Park, which provides mixed-use, commercial, industrial, and open space uses. These projects have helped generate thousands of jobs, expanded commercial, industrial, and recreational uses, and helped protect vital infrastructure that serves the greater region and the March Air Reserve Base. Based on the September 6, 2022 March JPA presentation to the City Council, 12,000 jobs have been created with 7,000 more expected, and over \$15 million generated in mitigation impact fees. The Authority continues to support the economic growth of the area and is currently overseeing about 1,000 acres of development still in progress, including significant development of airport property for commercial uses.

The March JPA has been successful in achieving its mission of redeveloping land, with most of the remaining undeveloped properties under contract and the Airport stabilized and performing well. Recognizing this milestone in the strategic repositioning of the former Base, the March Joint Powers Commission directed March JPA staff to commence the process to sunset the March JPA and divide assets among the Member Agencies where possible. At the time of formation, the Member Agencies did not formalize a process for the sunset of the March JPA, and therefore the Commission utilized the March JPA Technical Advisory Committee (TAC) to help guide the process for sunset, including distribution of assets and protection of existing contracts and responsibilities. The TAC is comprised of staff from each member agency.

Amendments and Agreements: The March Joint Powers Agreement has been amended a dozen times since 1993. The most recent amendment was executed in October 2014 to authorize the March JPA to provide land use authority for a remnant parcel that was under the County of Riverside’s land use authority. Each amendment must be approved by all member agencies comprising the March JPA.

In December 2021, the March Joint Powers Commission directed March JPA staff to prepare a Sunset plan for the March JPA that would relinquish certain duties under the Authority and refocus the March JPA’s mission to operating the March Inland Port Airport. March JPA staff met with member agency representatives to discuss a path forward. Over the course of several months of

discussion, it was determined that annexation discussions regarding the March JPA territory are complex, will take years to resolve and are complicated by a \$30 million redevelopment bond that matures in 2041. As a result, the conversation pivoted to focus on equitably sharing taxes and revenue generated by the March JPA territory.

On October 26, 2022, the March JPA Commission directed March JPA staff to prepare a 14<sup>th</sup> Amendment to the March Joint Powers Agreement and a Tax and Revenue Sharing Agreement for member agencies' review and approval.

Final drafts of both Agreements were received by member agencies in early February 2023 for their respective consideration and approval. The cities of Moreno Valley and Perris planned to schedule consideration of the proposed Amendment and Agreement for February 2023 City Council meetings and the County of Riverside has scheduled the same for an April 2023 Board of Supervisors meeting.

## **DISCUSSION:**

The Discussion Section is divided into two parts: a proposed 14<sup>th</sup> Amendment to the March JPA and a proposed Tax and Revenue Sharing Agreement.

### **Part 1: Proposed 14<sup>th</sup> Amendment to March Joint Powers Agreement**

The March Joint Powers Commission, and the jurisdiction it represents, now desires to amend the Agreement for the fourteenth time, to allow for a transition into a new phase of intergovernmental cooperation in the operation and management of the civilian airport and Successor Agency to the former March Joint Powers Redevelopment Agency. If approved, the Agreement would serve the following express purposes:

#### **Updated March JPA Roles and Responsibilities:**

1. Continued operation and management of the Successor Agency to the former March Joint Powers Redevelopment Agency is to remain unchanged and the responsibility of the March Joint Powers Authority. This will allow the March JPA to continue its non-transferable Successor Agency role and responsibilities, including servicing a \$30 million bond set to mature in 2041;
2. The continued operation and management of the March Inland Port Airport Authority, and the civilian airport, is to remain unchanged and the responsibility of the March Joint Powers Authority;
3. The March JPA municipal service duties, land use authority and all other non-civilian airport responsibilities would transition to the County of Riverside; and
4. The non-exclusive representation of the four March JPA member jurisdictions and the wider region in state and federal matters affecting the Successor Agency to the former Redevelopment Agency and March Inland Port Airport Authority.

#### **Updated County of Riverside Roles and Responsibilities:**

1. Transfer of municipal services (i.e. public works, policing, fire, property management, etc.) from the March JPA to the County of Riverside for all non-airport property would take place. Compensation to the County for assuming these obligations are outlined in the Tax Sharing and Revenue Agreement; and
2. Transfer of land use authority from the March JPA to the County of Riverside for all non-

airport property would take place.

Responsibilities of All Member Agencies:

All member agencies would continue participation in March JPA for the purposes of the carrying out the responsibilities of the March Inland Port Airport Authority and the Successor Agency to the former Redevelopment Agency.

Start date: July 1, 2025

Part 2: Proposed Tax and Revenue Sharing Agreement

The cities of Moreno Valley, Perris, and Riverside, and the County of Riverside are proposing to enter into a tax and revenue sharing agreement, to ensure an equitable distribution of revenues associated with the March Joint Powers Authority Territory. The County of Riverside receives 100% of the net revenue from multiple March JPA territory taxes and revenues including property tax, sales tax, and transitory occupancy tax. At this time, the cities of Riverside, Moreno Valley and Perris do not receive revenue from the March JPA.

The March JPA area generates revenue over \$12 million annually in combined property tax, sales tax, franchise agreements, leases, and transitory occupancy tax. The March JPA also generates revenue from the sale of land.

The terms of the agreement include:

Property Tax – The County of Riverside currently receives 100% of the net revenue from property tax. The Agreement would change the distribution of property tax revenue accordingly:

1. (First) Prior to distributing any net revenue, property tax received would cover the cost of services proposed by the County of Riverside, which is \$2.4 million plus CPI annually.
2. (Second) Prior to distribution any net revenue, Redevelopment Property Tax Trust Fund<sup>1</sup> revenue from properties in the City of Moreno Valley and City of Riverside would be returned to the respective cities:
  - i. City of Riverside: Two properties within the City of Riverside (refer to Exhibit B), adjacent to the 215 freeway on-ramp, and located within a freeway easement are generating, collectively, \$783 per year. This revenue, going forward, would be collected and remitted to the City of Riverside.
  - ii. City of Moreno Valley: There are several properties located entirely within the City of Moreno Valley (refer to Exhibit B) that had their future property tax increment pledged, by the City of Moreno Valley. These revenues were to serve as “start-up” funding for the March JPA, once the subject properties were developed. The City of Moreno Valle properties are now developed and together generate approximately \$832,000 per year. This revenue, going forward, would be collected and remitted to the City of Moreno Valley, now that the March JPA territories generate enough revenue to cover expenses and the net revenue is significantly above the amount generated by these properties.

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<sup>1</sup> The Redevelopment Property Tax Trust Fund is tax increment funding that had previously gone to redevelopment agencies and is instead now placed in a Redevelopment Property Tax Trust Fund. The state recognized that redevelopment successor agencies are still required to fulfill financial and project obligations that were entered into prior to the dissolution of redevelopment and allows successor agencies to receive funding for those enforceable obligations from the Fund.

3. (Third) The remaining net revenue from property tax would be divided as follows, 75% to the County and the cities would split 25% (for a total of 8.33% for each city). The County would receive 75% of net property tax revenue under this Agreement based on what the County typically collects when unincorporated land is annexed into a City with the remaining 25% of the property tax typically going to the City annexing the land. Since there is no annexation occurring at this time, the remaining 25% is to be split equally among the three member cities. The County justification for receiving 75% of the property tax when land is annexed into a City is typically based on the projected fiscal impacts on services that the County would retain. These countywide services include general government, judicial, detention and correction, health, and public assistance. General government services include county offices and departments such as the County Assessor, Auditor-Controller, Clerk-Recorder and Registrar of Voters.

Sales Taxes – The City of Riverside would receive 25%. The cities of Moreno Valley, Perris and the County of Riverside would also each receive 25% of sales tax.

Transient Occupancy Taxes – The City of Riverside would receive 25%. The cities of Moreno Valley, Perris and the County of Riverside would also each receive 25% of transient occupancy tax.

Franchise Fees – The City of Riverside would receive 25%. The cities of Moreno Valley, Perris and the County of Riverside would also each receive 25% of franchise fees.

Land Sales – The City of Riverside would receive 25% of all land sales. The cities of Moreno Valley, Perris and the County of Riverside would also each receive 25% of land sales.

Annexations: Cities are not to annex any land in the current March JPA territory during the 18-year term ending in 2041. However, given annexation law affords any person or entity the right to initiate/pursue annexation, the Agreement includes two penalties:

1. Private party-initiated annexation - In the event a private property owner initiates and completes annexation into a member agency's jurisdiction, the revenue associated with that specific annexation area would be remitted back to the other member agencies.
2. Member agency-initiated annexation - In the event a member agency chose to annex a property and the annexation was approved, then tax and revenue collected for the subject property and all of other properties within the current March JPA territory, under the Tax and Revenue Sharing Agreement, would be forfeited and remitted to the other member agencies.

Start and Term: The Agreement shall start on July 1, 2023 and end on August 1, 2041.

Under the Tax and Revenue Sharing Agreement, the City of Riverside is expected to receive approximately \$1.8 million in the first year of the agreement, as shown in Table 1.

**Table 1: Total funds distributed in the first year of the Agreement**

Member Agency	FY 2023/24
County (net of County service costs)	\$ 6,968,533
Moreno Valley	\$ 2,696,436
Perris	\$ 1,863,522
Riverside	\$ 1,864,305
<b>Subtotal</b>	<b>\$ 13,392,796*</b>

\*These amounts do not include any money from land sales.

There are numerous March JPA developments in the pipeline that include previously approved entitlements in plan check, under construction, or completed projects that have yet to generate taxes but are expected to result in the doubling of anticipated revenue within six years. Once the March JPA is built-out, around 2038 or year 15 of the 18-year Agreement, the anticipated revenue to the City is expected to reach \$6 million per year. Over the 18-year Agreement, the City of Riverside is projected to receive more than \$60 million, as depicted in the Table 2.

**Table 2: Anticipated Revenue to City of Riverside Over 18-year Agreement**

Period	Annual Revenue	Total Revenue
Years 1 - 6 (6 years)	\$1,800,000	\$ 10,800,000
Years 7 – 14 (8 years)	\$3,600,000	\$ 28,800,000
Years 15 – 18 (4 years)	\$6,000,000	\$ 24,000,000
<b>Subtotal</b>		<b>\$ 63,600,000*</b>

\*These amounts do not include any revenue from land sales.

**STRATEGIC PLAN ALIGNMENT:**

This item contributes to **Strategic Priority 3 – Economic Opportunity** and **Goal 3.4 – Collaborate with key partners to implement policies and programs that promote local business growth and ensure equitable opportunities for all;** and **Strategic Priority 5 – High Performing Government** and **Goal 5.4 – Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The 14<sup>th</sup> Amendment and Tax and Revenue Sharing Agreement will be reviewed at a public meeting by the City of Riverside City Council. The March JPA Commission also reviewed the Amendment and Agreement at a public meeting.
2. **Equity** – The 14<sup>th</sup> Amendment and Tax and Revenue Sharing Agreement will direct an equitable share of revenue to the City of Riverside. Currently, the City of Riverside is receiving no revenue from the March JPA. All the net revenue from the March JPA goes to the County of Riverside with few exceptions like land sales, which currently goes to the March JPA. The Amendment and Agreement will result in revenue being shared with the City of Riverside. The anticipated revenue would go to the General Fund to provide citywide benefit.
3. **Fiscal Responsibility** – The Tax and Revenue Sharing Agreement is projected to generate \$1.8 million in year 1 and more than \$60 million (an average of \$4+ million annually) over an 18-year term. Revenue received from the Agreement would help the City better maintain sustainable public finances, aid in delivering core services, meet

obligations including debt service, and/or help address unanticipated financial threats or other unmet needs.

4. **Innovation** – The Amendment and Agreement represent a creative interim solution, prior to annexation, whereby each member agency is able to share revenue. The Amendment also allows the civilian airport to continue and grow under the March Inland Port Airport Authority, as well as, the dissolution of the Success Agency to the former Redevelopment Agency.
5. **Sustainability & Resiliency** – The Amendment and Agreement enhance the City’s preparedness for the future by providing sustainable revenue starting in 2023; revenue that would otherwise continue to go to the County of Riverside and the March JPA. The civilian airport will become the core focus of the March JPA, via its role as March Inland Port Airport Authority, enabling the civilian airport to reach full occupancy and continue to serve as an economic stimulus for the region. The Amendment also ensures the viability of the March Air Reserve Base and its continued \$500 million plus annual economic impact on the region.

**FISCAL IMPACT:**

The total estimated fiscal impact of the proposed Tax and Revenue Sharing Agreement is expected to generate \$1.8 million in Fiscal Year 2023/24 and an estimated \$63 million over the 18-year term of this agreement. Additionally, any potential land sales are not quantified in this report but would be recognized as additional revenue to the City, per the Agreement, and is unknown at this time.

Prepared by:	Rafael Guzman, Assistant City Manager
Certified as to availability of funds:	Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer
Approved by:	Mike Futrell, City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

**Attachments:**

1. Fourteenth Amended Joint Powers Agreement to Formulate and Implement Plans for the Use and Reuse of March Air Force Base
2. Fourteenth Amended Joint Powers Agreement to Formulate and Implement Plans for the Use and Reuse of March Air Force Base (redlined)
3. Tax and Revenue Sharing Agreement, between the Cities of Moreno Valley, Perris, and Riverside, and the County of Riverside Regarding the March Joint Powers Authority Territory
4. Tax and Revenue Sharing Agreement, between the Cities of Moreno Valley, Perris, and Riverside, and the County of Riverside Regarding the March Joint Powers Authority Territory (redlined)
5. Presentation