



CITY OF ESCONDIDO

201 North Broadway
Escondido, CA 92025

Oversight Board to the Successor Agency of the Escondido Redevelopment Agency

Tuesday, January 24, 2017

10:00 AM

Mitchell Room

1. [Approval of Minutes: January 19, 2016](#)

2. **Oral Communications**

“Under State law, all items under Oral Communications can have no action and will be referred to the staff for administrative action or scheduled on a subsequent agenda.”

This is the opportunity for members of the public to address the subcommittee on any item of business within the jurisdiction of the subcommittee.

3. [Adoption of Resolution No. OB 2017-01 Approving Recognized Obligation Payment Schedule \(ROPS 17-18\) for July 2017 through June 2018 –](#)

Resolution No. OB 2017-01

4. [Adoption of Resolution No. OB 2017-02 Approving Reinstatement of City Loans -](#)

Resolution No. OB 2017-02

5. **Adjournment**

CITY OF ESCONDIDO

**MINUTES OF THE REGULAR MEETING
OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF
THE ESCONDIDO REDEVELOPMENT AGENCY**

January 19, 2016

The regular meeting of the Oversight Board of the Successor Agency of the Escondido Redevelopment Agency was called to order at 10:00 a.m., by Chairman Mitchell in the Mitchell Room at City Hall, 201 North Broadway, Escondido, California.

Board Members Present: Chairman Mitchell, Boardmember Simonson, Boardmember Baker, Boardmember Czerwonka, and Boardmember Bennett.

Commissioners absent: Boardmember McNamara, and Boardmember Baranowski.

Staff present: Jeffrey Epp, City Attorney; Joan Ryan, Assistant Director of Finance; Christina Holmes, Revenue Manager; and Ty Paulson, Minutes Clerk.

1. MINUTES:

Moved by Boardmember Czerwonka, seconded by Boardmember Simonson, to approve the minutes of the September 8, 2015 meeting. Motion carried unanimously.

2. ORAL COMMUNICATIONS: None.

**3. Adoption of Resolution No. OB 2016-01 to adopt the Recognized Obligation Payment Schedule (ROPS 16-17) for July 2016 thru June 2017 -
(Resolution No. OB 2016-01)**

Joan Ryan, Assistant Director of Finance, referenced the staff report and noted staff recommended adoption of Resolution No. OB 2016-01, approving the recognized obligation payment schedule (ROPS 16-17) for July 2016 thru June 2017.

Discussion ensued regarding a clarification of the \$5,000 bond expense.

Boardmember Baker asked if there were any issues on repayment of the loans. Mr. Epp replied in the negative.

Discussion ensued regarding a clarification of Line Items 8 and 9.

ACTION:

Moved by Boardmember Simonson, seconded by Boardmember Baker, to approve staff's recommendation. Motion carried unanimously.

ADJOURNMENT:

Chairman Mitchell adjourned the meeting at 10:15 am.

Graham Mitchell, Chairman

Ty Paulson, Minutes Clerk

**OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE
ESCONDIDO REDEVELOPMENT AGENCY**

Agenda Item No.: 2
Date: January 24, 2017

TO: Members of the Oversight Board
FROM: Joan Ryan, Assistant Finance Director
SUBJECT: Adoption of Resolution No. OB 2017-01 Approving Recognized Obligation Payment Schedule (ROPS 17-18) for July 2017 thru June 2018

RECOMMENDATION:

It is requested that the Oversight Board approve Resolution No. OB 2017-01 to adopt the Recognized Obligation Payment Schedule (ROPS 17-18) so that the Successor Agency may continue to make payments due for enforceable obligations.

FISCAL ANALYSIS:

The Oversight Board is responsible for approving the Successor Agency payment schedule for obligations of the Redevelopment Agency and forwarding this schedule to the State for additional approval. Once approved by the State, the County of San Diego will fund the payments from the County Redevelopment Property Tax Trust Fund (RPTTF).

BACKGROUND:

As part of the State of California's Dissolution of Redevelopment, the City as Successor Agency is required to adopt a Recognized Obligation Payment schedule and have it approved by the Oversight Board. This Obligation schedule lists payments to be made from July 1, 2017 through June 30, 2018. Below is a summary of these payments:

2007A and B Lease Revenue Bonds	\$7,090,587
Loan Repayment to the Traffic Impact Fund	50,000
City Administrative Costs	339,322
<i>Total ROPS 17-18 Enforceable Obligations</i>	<u>\$7,662,078</u>

Respectfully submitted,


Joan Ryan,
Assistant Finance Director

RESOLUTION NO. OB 2017-01

A RESOLUTION OF THE REDEVELOPMENT
OVERSIGHT BOARD APPROVING A
RECOGNIZED OBLIGATION PAYMENT
SCHEDULE FOR JULY 2017 THRU JUNE
2018 PURSUANT TO HEALTH AND SAFETY
CODE SECTION 34177

WHEREAS, pursuant to authorizing Resolution No. 2012-16, the City Council of the City of Escondido elected to serve as the Successor Agency and Successor Housing Agency to the Escondido Redevelopment Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34177, successor agencies are required to make payments due for enforceable obligations and adopt a Recognized Obligation Payment Schedule ("ROPS") and submit this schedule to an Oversight Board; and

WHEREAS, the Oversight Board is to approve the ROPS and forward to the State Department of Finance

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE CITY OF ESCONDIDO, CALIFORNIA, RESOLVES AS FOLLOWS:

1. That the above recitations are true.
2. That the Oversight Board to the Escondido Redevelopment Successor Agency, hereby approves the ROPS for the period of July 2017 to June 2018, which is attached hereto as Exhibit "A" and incorporated by this reference.

Recognized Obligation Payment Schedule (ROPS 17-18) - Summary
 Filed for the July 1, 2017 through June 30, 2018 Period

Successor Agency: Escondido
 County: San Diego

Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	17-18A Total (July - December)	17-18B Total (January - June)	ROPS 17-18 Total
A Enforceable Obligations Funded as Follows (B+C+D):	\$ -	\$ -	\$ -
B Bond Proceeds	-	-	-
C Reserve Balance	-	-	-
D Other Funds	-	-	-
E Redevelopment Property Tax Trust Fund (RPTTF) (F+G):	\$ 7,255,248	\$ 406,830	\$ 7,662,078
F RPTTF	7,085,587	237,169	7,322,756
G Administrative RPTTF	169,661	169,661	339,322
H Current Period Enforceable Obligations (A+E):	\$ 7,255,248	\$ 406,830	\$ 7,662,078

Certification of Oversight Board Chairman:
 Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

 Name Title
 /s/ _____
 Signature Date

Escondido Recognized Obligation Payment Schedule (ROPS 17-18) - ROPS Detail

July 1, 2017 through June 30, 2018

(Report Amounts in Whole Dollars)

A Item #	B Project Name/Debt Obligation	C Obligation Type	D Contract/Agreement Execution Date	E Contract/Agreement Termination Date	F Payee	G Description/Project Scope	H Project Area	I Total Outstanding Debt or Obligation	J Retired	K ROPS 17-18 Total	17-18A (July - December)					Q 17-18A Total	17-18B (January - June)					W 17-18B Total
											Fund Sources						Fund Sources					
											L Bond Proceeds	M Reserve Balance	N Other Funds	O RPTTF	P Admin RPTTF		R Bond Proceeds	S Reserve Balance	T Other Funds	U RPTTF	V Admin RPTTF	
								\$ 15,537,225		\$ 7,662,078	\$ -	\$ -	\$ -	\$ 7,085,587	\$ 169,661	\$ 7,255,248	\$ -	\$ -	\$ -	\$ 237,169	\$ 169,661	\$ 406,830
2	2007A Lease Revenue Bonds	Revenue Bonds Issued On or Before 12/31/10	1/25/2007	9/1/2018	Bank of New York	Bond Payment		10,301,375	N	\$ 5,150,750				5,025,125		\$ 5,025,125				125,625		\$ 125,625
3	2007B Lease Revenue Bonds	Revenue Bonds Issued On or Before 12/31/10	1/25/2007	9/1/2018	Bank of New York	Bond Payment		4,218,550	N	\$ 2,117,008				2,060,462		\$ 2,060,462				56,544		\$ 56,544
4	Bond Expense	Fees	1/10/1982	9/1/2018	Bank of New York	Bond Trustee Admin Fees		5,000	N	\$ 5,000						\$ -				5,000		\$ 5,000
5	Bond Debt Obligation Reserve	Reserves	1/25/2007	9/1/2018	Bank of New York	Payment per AB 1484, Section 34171(d)(1)(A)		-	N	\$ -						\$ -						\$ -
6	Loan Repayment to General Fund	City/County Loans On or Before 6/27/11	8/15/1994	12/31/2035	City of Escondido	Program Administration to assist in the implementation of the Redevelopment Plan			N													
7	Loan Repayment to Traffic Impact Fund	City/County Loans On or Before 6/27/11	8/15/1994	12/31/2035	City of Escondido	Capital Improvement-Nordahl bridge improvements		1,012,300	N	\$ 50,000						\$ -				50,000		\$ 50,000
8	Loan Repayment to Housing Set Aside Fund	SERAF/ERAF	8/15/1994	4/30/2016	City of Escondido	ERAF(Educational Revenue Augmentation Fund) Payments		-	Y	\$ -						\$ -						\$ -
9	CalHFA Loans	OPA/DDA/C onstruction	10/31/2003	6/30/2018	CalHFA	Affordable Housing Projects		-	Y	\$ -						\$ -						\$ -
10	Employee Costs-Admin. Fee	Admin Costs	7/1/2011	9/30/2018	Employees of City of Escondido	Administration			N	\$ 339,322					169,661	\$ 169,661					169,661	\$ 169,661
24	Utilities	Property Maintenance	5/31/2012	6/30/2015	SDG&E	Successor Agency Property-Gas & Electric costs		-	Y	\$ -						\$ -						\$ -
25	Property Management Expenses	Property Maintenance	1/25/2013	6/30/2015	Various	Successor Agency Property Management costs		-	Y	\$ -						\$ -						\$ -
26	Loan Repayment to General Fund	Miscellaneous	8/15/1994	12/31/2035	City of Escondido	Program Administration			N													
27	Utilities	Property Maintenance	7/1/2013	6/30/2015	City of Escondido	Successor Agency Property-Water Costs		-	Y	\$ -						\$ -						\$ -
28	Utilities	Property Maintenance	7/1/2013	6/30/2015	Steven Smith	Successor Agency Property-Landscaping maintenance		-	Y	\$ -						\$ -						\$ -

Escondido Recognized Obligation Payment Schedule (ROPS 17-18) - Report of Cash Balances
(Report Amounts in Whole Dollars)

Pursuant to Health and Safety Code section 34177 (I), Redevelopment Property Tax Trust Fund (RPTTF) may be listed as a source of payment on the ROPS, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. For tips on how to complete the Report of Cash Balances Form, see [Cash Balance Tips Sheet](#).

A	B	C	D	E	F	G	H	I	
		Fund Sources							
		Bond Proceeds		Reserve Balance		Other	RPTTF		
	Cash Balance Information by ROPS Period	Bonds issued on or before 12/31/10	Bonds issued on or after 01/01/11	Prior ROPS period balances and DDR RPTTF balances retained	Prior ROPS RPTTF distributed as reserve for future period(s)	Rent, grants, interest, etc.	Non-Admin and Admin	Comments	
ROPS 15-16B Actuals (01/01/16 - 06/30/16)									
1	Beginning Available Cash Balance (Actual 01/01/16)					584,570			
2	Revenue/Income (Actual 06/30/16) RPTTF amounts should tie to the ROPS 15-16B distribution from the County Auditor-Controller during June 2016					623,294	1,984,488	Other income is comprised of rental income \$111,484; Investment income \$17,310; Payment from Palomar College per settlement agreement \$462,500; and payments received on Housing Loans \$32,000	
3	Expenditures for ROPS 15-16B Enforceable Obligations (Actual 06/30/16)					114,078	1,984,488	Other expenditures include \$64,100 PPA; \$8,320 of SDGE expenses (line 24) and Administrative expenses (line 10)	
4	Retention of Available Cash Balance (Actual 06/30/16) RPTTF amount retained should only include the amounts distributed as reserve for future period(s)								
5	ROPS 15-16B RPTTF Balances Remaining	No entry required							
6	Ending Actual Available Cash Balance C to G = (1 + 2 - 3 - 4), H = (1 + 2 - 3 - 4 - 5)	\$ -	\$ -	\$ -	\$ -	\$1,093,786	\$ -		

**OVERSIGHT BOARD TO THE
SUCCESSOR AGENCY OF THE
ESCONDIDO REDEVELOPMENT AGENCY**

Agenda Item No.: 3
Date: January 24, 2017

TO: Members of the Oversight Board
FROM: Joan Ryan, Assistant Finance Director
SUBJECT: Adoption of Resolution No. OB 2017-02 Approving Reinstatement of City Loans

RECOMMENDATION:

It is requested that the Oversight Board approve Resolution No. OB 2017-02 to find that the City Loans were for legitimate redevelopment purposes that meet the definition of a loan eligible for reinstatement pursuant to Health and Safety Code Section 34191.4(b)(2)(A) and to approve the agreement to reinstate the City Loans made to the former Redevelopment Agency. If approved, Successor Agency staff will transmit the resolution to the Department of Finance for review.

FISCAL ANALYSIS:

The reinstatement of the City Loans allows them to be recognized as an enforceable obligation of the Successor Agency and payment added to the Recognized Obligation Payment Schedule each year until principal and interest are paid in full.

BACKGROUND:

Escondido's Redevelopment Agency ("Agency") was established in December 1984 in connection with the adoption of the Escondido Redevelopment Plan ("Plan") and formation of a redevelopment project area ("Escondido Redevelopment Project Area").

The Agency consisted of the members of the Escondido City Council, although the City and the Agency were legally separate entities. Under applicable laws, the cap on total tax increment that could be collected by the redevelopment agency was \$1.499 billion and the life of the Agency extended until 2025.

Redevelopment worked by freezing the level of property taxes at the time the Agency adopted the Plan for the Escondido Redevelopment Project Area. During the existence of redevelopment, any increases in taxes went to the Agency, rather than the various entities that would have otherwise received the tax increases. This stream of revenue (the difference between taxes at the time of formation and the amount of increases which occur over the years) was known as "tax increment" and could be used to pay the principal of and interest on loans, moneys advanced to, or indebtedness incurred by the redevelopment agency to finance the redevelopment project.

CITY LOANS:

California Health and Safety Code Section 33445 authorized a redevelopment agency to enter into agreements with the host city to borrow money and accept financial assistance from the city for redevelopment projects located within the agency's jurisdiction. Because newly formed agency funding was limited to a future, expected stream of tax increment, cities often loaned agencies both

staff and funding to get redevelopment projects started. Agreements to borrow funds from cities constituted an indebtedness of the agency and this indebtedness could be paid out of taxes levied in the project area and allocated to the agency under subdivision (b) of Health and Safety Code Section 33670 or out of any other available funds.

The City of Escondido and the Redevelopment Agency entered into a Cooperation Agreement in 1988. The Cooperation Agreement consolidated a number of prior City loans and advances which the City had made to the Agency into a single agreement. This 1988 Cooperation Agreement provided a repayment schedule to the City from future tax increment, and provided for a specific interest rate formula which was tied to the City's cost of funds. The repayment schedule provided that any balances remaining unpaid rolled over to the next year. The City and the Agency have operated under the terms of this Cooperation Agreement since its adoption and have maintained ongoing information on annual reports regarding the balances due and payable. Regular filing required by state statutes have evidenced the outstanding obligations of the Agency, including interest.

This 1988 Cooperation Agreement authorized the advance of monies for Civic Center projects and other redevelopment projects outside the Civic Center. At the time the 1988 Cooperative Agreement was entered into the City was owed \$17,123,071 for the Civic Center project and \$3,662,351 in advances for other redevelopment projects. The other redevelopment projects included public improvements for downtown revitalization and to Mission Avenue. Additional advances were added to this loan after inception, and included an additional \$3,908,000 for downtown revitalization, advances to the General Fund of \$2,338,636 so the City could pay the State of California mandated Education Revenue Augmentation Fund payments, and advances of \$1,931,843 to pay the administrative expenses associated with implementing the Escondido Redevelopment Plan. The total advanced by the City to the Agency was \$28,963,901. The Civic Center portion of the advances that totaled \$17,123,071 have since been repaid in full. The advances for other redevelopment projects have been partially repaid in the amount of \$2,008,178. The outstanding principal balance is \$9,832,652.

DISSOLUTION:

The State of California's passage of Assembly Bill X1 26 dissolved Redevelopment Agencies and replaced them with Successor Agencies effective February 1, 2012. The City of Escondido elected to serve as the Successor Agency for the former Escondido Redevelopment Agency. The Dissolution Act also provided for the appointment of an Oversight Board. The Oversight Board to the former Escondido Successor Agency includes 7 members that were appointed by their specific entities within the former redevelopment area. Members of the Oversight Board have a fiduciary responsibility to the holders of enforceable obligations to ensure payment of obligations and specific duties to oversee the Successor Agency in its efforts to wind down the former redevelopment agency's operations.

The Dissolution Law (AB X1 26 as amended by AB 1484 and further amended by SB 107) nullified most agreements between redevelopment agencies and their sponsoring communities including loans made between cities and their redevelopment agencies. However, AB 1484 provided that after receiving a finding of completion from the California Department of Finance, loan agreements between a former redevelopment agency and their sponsoring community would be eligible for repayment provided the Oversight Board made a finding that the loan was for a legitimate redevelopment purpose.

Agreement to Reinstate of City Loans

January 24, 2017

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SB 107, adopted in September 2015, further amended the Dissolution Law defining which city/agency loan agreements are eligible for repayment and also to set the interest rate for eligible loans. SB 107 defines the following 3 types of city/agency loans to be eligible for reinstatement:

- 1) Under Health and Safety Code Section 34191.4(b)(2)(A), the loan must have involved the actual transfer of money from the City to the Agency and an agreement in place pursuant to which the Agency agreed to repay the money it received pursuant to a "required repayment schedule."
- 2) A second type of repayment was allowed by Health and Safety Code Section 34191.4(b)(2)(B) which involves an agency agreement to pay for City-owned real estate over time.
- 3) Finally, the law permits repayment for infrastructure projects contracted out to third parties as contemplated by Health and Safety Code Section 34191.4(b)(2)(C). The maximum loan is limited to \$5 million.

SB 107 also provides that any interest on the outstanding principal amount of the loan that was unpaid is to be recalculated from the date of origination of the loan on a quarterly basis at 3% simple interest.

CONCLUSION:

The Escondido Successor Agency received a finding of completion from the Department of Finance on May 24, 2013. Pursuant to Health and Safety Code Section 34191.4(b), the Successor Agency is now requesting that the Oversight Board make a finding that the City loans were for legitimate redevelopment purposes and that the loan agreements are eligible for reinstatement per Health and Safety Code Section 34191.4(b)(2)(A). This Section defines a loan to be eligible for reinstatement if the loan involved the actual transfer of money from the City to the Agency and an agreement was in place pursuant to which the Agency agreed to repay the money it received pursuant to a required repayment schedule.

The City Loans meet this definition as all of the loans were cash advances from the City's General Fund to the Agency and the Agency agreed to repay the money pursuant to the Cooperative Agreement which was approved by City Council Resolution No. 88-49 and Community Development Commission Resolution No. 88-6 on February 26, 1988, containing a specific mechanism for calculating remaining balances and interest on any such balance. The Cooperative Agreement states that the Agency agrees to reimburse the City for all funds advanced to the City to the extent that funds are available to the Agency for such purposes. This repayment commitment was demonstrated on July 1, 1992 when the Agency paid in full the principal and interest on the Civic Center City Loan which totaled \$27,130,206. This commitment was again demonstrated on January 1, 2008 when principal and interest of \$7,807,392 were used to pay the Other Plan Project Loans.

The attached Agreement to Reinstate the City Loans show the current remaining principal amount of the loan is \$9,832,652. Health and Safety Code Section 34191.4(b)(3) sets forth the terms of the reinstated loan which have been incorporated in the Agreement. These terms include interest on the previously unpaid loan principal to be recalculated from the date of origination of the loan, as approved by the Agency, at a simple interest rate of 3 percent on a quarterly basis. Repayments of the loan to the City must be in accordance with a defined repayment schedule over a reasonable term of years. The annual loan repayments are subject to specified limitations outlined in a complex

formula that is included in the Agreement and twenty percent of repaid loan amounts have to be deposited into the City Housing Successor Agency Fund.

In order for this Loan Agreement to be valid, the Oversight Board must make the finding that these loans were made for legitimate redevelopment purposes and to approve this Loan Reinstatement Agreement. The attached resolution will then be provided to the Department of Finance for their ultimate approval in order for the Agreement to be in full effect.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joan Ryan".

Joan Ryan,
Assistant Finance Director

RESOLUTION NO. OB 2017-02

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE ESCONDIDO SUCCESSOR AGENCY TO MAKE A FINDING THAT THE CITY LOANS WERE FOR LEGITIMATE REDEVELOPMENT PURPOSES AND ARE ELIGIBLE FOR REINSTATEMENT PER HEALTH AND SAFETY CODE SECTION 34191.4(B)(2)(A) AND TO APPROVE AN AGREEMENT TO REINSTATE THE CITY LOANS MADE TO THE FORMER ESCONDIDO REDEVELOPMENT AGENCY

WHEREAS, pursuant to authority granted under Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) the former Redevelopment Agency of the City of Escondido ("Redevelopment Agency") had responsibility to implement the Redevelopment Plan for the Escondido Redevelopment Project Area ("Project Area"); and

WHEREAS, pursuant to Health and Safety Code Section 33220, the City of Escondido ("City") was authorized to assist the Redevelopment Agency for the purpose of aiding and cooperating in the planning, undertaking, construction and operation of redevelopment projects located within the jurisdiction of the City, upon the terms and with or without consideration as the City determined; and

WHEREAS, pursuant to Health and Safety Code Section 33445, the Redevelopment Agency was authorized to enter into agreement with the City pursuant to which the Redevelopment Agency would agree to reimburse the City for funds provided

by the City for the cost of installation and construction of public improvements, structures and facilities located within or outside the Project Area; and

WHEREAS, pursuant to Health and Safety Code Sections 33132 and 33601 the Redevelopment Agency was authorized to borrow money and accept financial assistance from the City for redevelopment projects located within the Redevelopment Agency's jurisdiction; and

WHEREAS, consistent with the foregoing authority, the City made the following loans (collectively, the "City Loans") to the Redevelopment Agency:

- (a) An advance in the original principal amount of \$17,123,071 for the purpose of designing and constructing a Civic Center/Cultural Center that would include a city hall, a community theater, an auditorium, a fine arts facility and a convention center. The Civic Center is within the boundaries of the Project Area and is included in the project list of the Escondido Redevelopment Plan. These advances are referred to as the ("Civic Center City Loan").
- (b) An advance in the original principal amount of \$1,000,000 to be used for Mission Avenue street improvements. Mission Avenue is within the boundaries of the Project Area and is included in the project list of the Escondido Redevelopment Plan.
- (c) An advance in the original principal amount of \$5,908,000 for the design and reconstruction of public improvements in the Downtown Revitalization block area which is within the boundaries of the Project Area and meets the objectives of the Escondido Redevelopment Plan.

(d) Advances that totaled an original principal amount of \$2,594,194 to pay the administrative expenses of the Redevelopment Agency between July 1, 1985 to June 30, 1999 for costs associated with implementing the Escondido Redevelopment Plan.

(e) Advances that totaled an original principal amount of \$2,338,636 to pay the State of California mandated Education Revenue Augmentation Fund (“ERAF”) payments on behalf of the City in fiscal years 1992-93, 1993-94, 1994-95, and 2002-03; and

WHEREAS, the Cooperative Agreement that was approved by City Council Resolution No. 88-49 and the Community Development Commission Resolution No. 88-6 obligated the Redevelopment Agency to reimburse the City for the Civic Center City Loan and the Other Plan Project Loans which were collectively called the City Loans, to the extent that funds were available to the Redevelopment Agency for such purpose; and

WHEREAS, on July 1, 1992 when funds became available, the Redevelopment Agency paid in full the principal and interest on the Civic Center City Loan which totaled \$27,130,206. On January 1, 2008 when funds became available, the Redevelopment Agency repaid principal and interest on the Other Plan Project Loans that totaled \$7,807,392; and

WHEREAS, the California state legislature enacted Assembly Bill X1 26 (the “Dissolution Act”) to dissolve redevelopment agencies formed under the Community Redevelopment Law, and with narrow exceptions, loans between cities and their redevelopment agencies were invalidated by this law; and

WHEREAS, the City agreed to serve as the successor agency to the former Escondido Redevelopment Agency (“Successor Agency”) commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to the Dissolution Act; and

WHEREAS, the Dissolution Act provides for the appointment of an Oversight Board with fiduciary responsibilities to the holders of enforceable obligations and specific duties to oversee the Successor Agency in its efforts to wind down the former redevelopment agency’s operations; and

WHEREAS, pursuant to Health and Safety Code Section 34191.4(b), once a Successor Agency has received a Finding of Completion pursuant to Health and Safety Code Section 34179.7, the loan agreement entered into between the Redevelopment Agency and the entity that created the Redevelopment Agency (“Sponsoring Jurisdiction Loans”) shall be deemed to be enforceable obligations provided that the Successor Agency’s Oversight Board makes a finding that the Sponsoring Jurisdiction Loans were for legitimate redevelopment purposes; and

WHEREAS, the Successor Agency received a Finding of Completion on May 24, 2013; and

WHEREAS, Successor Agency staff have prepared an Agreement Regarding Reinstatement of the City Loans (the “AGREEMENT”) which provides for repayment of the Loans in accordance with the requirements of Health and Safety Code 34191.4(b)(3), and commits the City to use the Loan repayment proceeds in accordance with Health and Safety Code Section 34191.4(b)(3)(C) in which twenty percent of any loan repayment shall be transferred to the Low and Moderate Income Housing Fund; and

WHEREAS, Health and Safety Code Section 34191.4(b)(3) provides that any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan as approved by the redevelopment agency on a quarterly basis, at a simple interest rate of 3 percent, and Sponsoring Jurisdiction Loans shall be repaid to the sponsoring jurisdiction in accordance with a defined schedule over a reasonable term of years and otherwise in compliance with the limitations of Section 34191.4(b)(3); and

WHEREAS, Health and Safety Code Section 34191.4(b)(3)(B) requires that Sponsoring Jurisdiction Loan repayments shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund; and

WHEREAS, the Low and Moderate Income Housing Fund will be paid in full in fiscal year 2016-17 for an outstanding amount borrowed for the purposes of the Supplemental Educational Revenue Augmentation fund; and

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE CITY OF ESCONDIDO, CALIFORNIA, RESOLVES AS FOLLOWS:

1. That the above recitations are true.
2. That the Oversight Board to the Escondido Redevelopment Successor Agency hereby finds and determines that the City Loans entered into between the former Escondido Redevelopment Agency and the City were advanced for legitimate redevelopment purposes and the loan agreements are eligible for reinstatement per Health and Safety Code Section 34191.4(b)(2)(A).

3. That the Oversight Board, hereby approves the Loan Reinstatement Agreement which is attached hereto as Exhibit "A" and incorporated by this reference.

4. That the Oversight Board Chairman is authorized to execute the Agreement on behalf of the Successor Agency in the form presented with the staff report accompanying this Resolution.

AGREEMENT REGARDING REINSTATEMENT OF CITY LOANS
(City of Escondido/Successor Agency of the former Escondido Redevelopment Agency)

THIS AGREEMENT REGARDING REINSTATEMENT OF CITY LOANS ("Agreement") is entered into effective as of _____, 2017 (Effective Date") by and between the Successor Agency of the former Escondido Redevelopment Agency ("Successor Agency") and the City of Escondido, a municipal corporation ("City"). The Successor Agency and the City are hereinafter collectively referred to as the "Parties."

RECITALS

A. Pursuant to authority granted under Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) ("CRL"), the former Redevelopment Agency of the City of Escondido ("Redevelopment Agency") had a responsibility to implement the Redevelopment Plan for the Escondido Redevelopment Project Area ("Project Area").

B. The City Council of the City of Escondido ("City Council") agreed to serve as the successor agency to the Redevelopment Agency commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to Assembly Bill X1 26.

C. Pursuant to Health and Safety Code Section 33220, the City was authorized to assist the Redevelopment Agency for the purpose of aiding and cooperating in the planning, undertaking, construction, and operation of redevelopment projects located within in the jurisdiction of the City, upon the terms and with or without consideration as the City determined.

D. Pursuant to Health and Safety Code Section 33445, the Redevelopment Agency was authorized to enter into agreements with the City pursuant to which the Redevelopment agency would agree to reimburse the City for funds provided by the City for the cost of installation and construction of public improvement, structures and facilities located within or outside the Project Area.

E. Pursuant to Health and Safety Code Sections 33132 and 33601, the Redevelopment Agency was authorized to borrow money and accept financial assistance form the City for redevelopment projects located within the Redevelopment Agency's jurisdiction.

F. Consistent with the foregoing authority, the City made the following loan (the "City Loans") to the Redevelopment Agency:

- (a) An advance in the original principal amount of \$17,123,071 for the purpose of designing and constructing a Civic Center/Cultural Center that would include a city hall, a community theater, an auditorium, a fine arts facility and a convention center. The Civic Center is within the boundaries of the Project Area and is included in the project list of the Escondido Redevelopment Plan. These advances are referred to as the ("Civic Center City Loan").

- (b) An advance in the original principal amount of \$1,000,000 to be used for Mission Avenue street improvements. Mission Avenue is within the boundaries of the Project Area and is included in the project list of the Escondido Redevelopment Plan.
- (c) An advance in the original principal amount of \$5,908,000 for the design and reconstruction of public improvements in the Downtown Revitalization block area which is within the boundaries of the Project Area and meets the objectives of the Escondido Redevelopment Plan.
- (d) Advances that totaled an original principal amount of \$2,594,194 to pay the administrative expenses of the Redevelopment Agency between July 1, 1985 to June 30, 1999 for costs associated with implementing the Escondido Redevelopment Plan.
- (e) Advances that totaled an original principal amount of \$2,338,636 to pay the State of California mandated Education Revenue Augmentation Fund ("ERAF") payments on behalf of the City in fiscal years 1992-93, 1993-94, 1994-95, and 2002-03; and

G. Pursuant to Health and Safety Code Section 34191.4(b), once a successor agency has received a Finding of Completion pursuant to Health and Safety Code Section 34179.7, a loan agreement entered into between the redevelopment agency and the entity that created the redevelopment agency ("Sponsoring Jurisdiction Loans") shall be deemed to be enforceable obligations provided that the successor agency's oversight board makes a finding that the Sponsoring Jurisdiction Loans were for legitimate redevelopment purposes.

H. The Successor Agency received a Finding of Completion on May 24, 2013.

I. Health and Safety Code Section 34191.4(b)(3) provides that: (i) any interest on the remaining principal amount of the loan that was previously unpaid after the original effective date of the loan shall be recalculated from the date of origination of the loan as approved by the redevelopment agency on a quarterly basis, at a simple interest rate of 3 percent, (ii) Sponsoring Jurisdiction Loans shall be repaid to the sponsoring jurisdiction in accordance with a defined schedule over a reasonable term of years, and (iii) the annual amount of repayments for Sponsoring Jurisdiction Loans provided for in the Recognized Obligation Payment Schedule ("ROPS") is subject to specified limitations.

J. This Agreement provides for repayment of the Loans in accordance with all the requirements of Health and Safety Code Section 34191.4(b)(3) and commits the City to use the Loan repayment proceeds in accordance with Health and Safety Code Section 34191.4(b)(3)(C) in which twenty percent of any loan repayment shall be transferred to the Low and Moderate Income Housing Fund.

K. On January 24, 2017, the Oversight Board to the Successor Agency ("Oversight Board") adopted Resolution No. 2017-02 which found that the City Loans were made for legitimate

redevelopment purposes as authorized by and consistent with the CRL and authorizes the Successor Agency to enter into this Agreement.

NOW, THEREFORE, the Successor Agency and the City agree as follows:

1. Reinstatement of Loans. The Parties acknowledge and agree that pursuant to the facts stated in the foregoing Recitals, which by this reference are incorporated into this Agreement, the Loans constitute enforceable obligations, eligible to be listed on the Successor Agency's ROPS and repaid pursuant to and in accordance with Health and Safety Code Section 34191.4(b).
2. Loan amount. The City Loan is reinstated and affirmed, per the 1998 Cooperative Agreement, the City loaned to the Successor Agency the principal sum of \$28,963,901 and the remaining principal amount on the reinstated loan is \$9,832,652. In accordance with Health and Safety Code Section 34191.4(b)(3), the interest accumulated on the outstanding principal balance of the loans from origination through the Effective Date of this Agreement has been recalculated on a quarterly basis, at a simple rate of 3 percent. The outstanding principal balance and recalculated interest on the loans is attached hereto as Attachment 1 and incorporated by this reference.
3. Interest. From the date of this Agreement and until the reinstated loan is repaid in full, the outstanding loan amount shall accrue interest on a quarterly basis, at a simple rate of 3 percent.
4. Repayment Term. The Loans shall be repaid in annual or semi-annual installments in an amount not to exceed the sum determined pursuant to Health and Safety Code Section 34191.4(b)(3)(A) (i.e. in the aggregate, the payments made in each fiscal year shall not exceed one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in each fiscal year and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-13 base year) until repaid in full. Payments shall be applied first to outstanding principal, and second to the interest.
5. Use of Loan Repayment Funds. The City shall use the Loan repayments in accordance with the requirements of Health and Safety Code Section 34191.4(b)(3)(B) and (C) to repay any amounts previously borrowed from the Low and Moderate Income Housing Fund of the Redevelopment Agency (if any) and to pay twenty percent of any loan repayment to the City's Low and Moderate Income Housing Asset Fund established by the City in its capacity as the housing successor to the Redevelopment Agency. Any repayment amounts remaining after the foregoing obligations are satisfied may be used by the City for purposes identified in the discretion of the City Council.

6. Subordination. Notwithstanding any contrary provision hereof, the Parties agree that the Successor Agency's obligation to repay the Loans shall be subordinate to the pledge of tax increment revenue for the payment of debt service on tax allocation bonds or other indebtedness issued by the Redevelopment Agency and the payment of the Successor Agency's other enforceable obligations.
7. Amendments. No amendment to or modification of this Agreement shall be effective unless and until such amendment or modification is in writing, properly approved in accordance with applicable procedures, and executed by the Parties. Notwithstanding the foregoing, in the event of subsequently-enacted legislation that would facilitate an accelerated repayment of the Loans on the same or more favorable terms to the City, the Parties intend that such accelerated repayment will occur consistent with the requirements of such legislation and agree to amend this Agreement if necessary under that legislation to effectuate such accelerated payments.
8. Severability. If any term, provision, covenant, or condition set forth in this Agreement is held by the final judgment of a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions, covenants, and conditions shall continue in full force and effect to the extent that the basic intent of the Parties as expressed herein can be accomplished. In addition, the Parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.
9. No Third-Party Beneficiaries; Assignments. Nothing in this Agreement is intended to create any third-party beneficiaries to this Agreement, and no person or entity other than the Successor Agency and the City, and the permitted successors and assigns of either of them, shall be authorized to enforce the provisions of this Agreement.
10. Further Assurances. Each Party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the intent of the transactions contemplated by this Agreement.
11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.
12. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

SIGNATURES ON FOLLOWING PAGES.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective as the date first written above.

CITY OF ESCONDIDO

Date: _____

Sam Abed
Mayor

Date: _____

Diane Halverson
City Clerk

SUCCESSOR AGENCY TO THE FORMER
ESCONDIDO REDEVELOPMENT AGENCY

Date: _____

Graham Mitchell
Chairman of Oversight Board

APPROVED AS TO FORM:

OFFICE OF THE CITY ATTORNEY
JEFFREY R. EPP, City Attorney

By: _____

ATTACHMENT 1

AGREEMENT TO REINSTATE LOANS MADE TO THE FORMER ESCONDIDO REDEVELOPMENT AGENCY
INTEREST ON CITY LOANS RECALCULATED USING SIMPLE INTEREST RATE OF 3% PER H&SC 34191.4(B)(3)

Loan Purpose	Draw Date	Principal Advanced	Payments	Remaining Unpaid Principal	Recalculated Interest per H&SC Sec 34191.4(b)(3)	Balance as of 1/24/2017
CIVIC CENTER CITY LOANS	Various	\$ 17,123,071	\$ (17,123,071)	\$ -	\$ -	\$ -
MISSION AVENUE STREET IMPROVEMENTS	7/1/1985	1,000,000	(1,000,000)	-	-	-
REDEVELOPMENT OPERATING ADVANCE 85-86	7/1/1985	172,531	(172,531)	-	-	-
REDEVELOPMENT OPERATING ADVANCE 86-87	7/1/1986	241,822	(241,822)	-	-	-
REDEVELOPMENT OPERATING ADVANCE 87-88	7/1/1987	247,998	(247,998)	-	-	-
DOWNTOWN REVITALIZATION BALOCK AREA	7/1/1987	5,908,000	(345,827)	5,562,173	4,934,181	10,496,354
REDEVELOPMENT OPERATING ADVANCE 88-89	7/1/1988	204,738		204,738	175,480	380,218
KATZ HOLLIS STUDY	2/28/1989	7,500		7,500	6,278	13,778
REDEVELOPMENT OPERATING ADVANCE 89-90	11/30/1989	184,816		184,816	150,537	335,353
REDEVELOPMENT OPERATING ADVANCE 90-91	7/1/1990	172,032		172,032	137,126	309,158
REDEVELOPMENT OPERATING ADVANCE 91-92	7/1/1991	139,850		139,850	107,278	247,128
REDEVELOPMENT OPERATING ADVANCE 92-93	7/1/1992	63,975		63,975	47,156	111,131
ERAF PAYMENT 92-93	12/2/1992	1,391,651		1,391,651	1,008,051	2,399,702
REDEVELOPMENT OPERATING ADVANCE 93-94	7/1/1993	82,792		82,792	58,542	141,334
ERAF PAYMENT 93-94	11/3/1993	261,013		261,013	181,858	442,871
REDEVELOPMENT OPERATING ADVANCE 94-95	7/1/1994	57,590		57,590	38,994	96,584
ERAF PAYMENT 94-95	12/21/1994	261,075		261,075	173,039	434,114
REDEVELOPMENT OPERATING ADVANCE 95-96	7/1/1995	212,880		212,880	137,754	350,634
REDEVELOPMENT OPERATING ADVANCE 96-97	7/1/1996	180,415		180,415	111,333	291,748
REDEVELOPMENT OPERATING ADVANCE 97-98	7/1/1997	347,525		347,525	204,031	551,556
REDEVELOPMENT OPERATING ADVANCE 98-99	7/1/1998	277,730		277,730	154,722	432,452
ERAF PAYMENT 02-03	5/10/2003	424,897		424,897	174,755	599,652
TOTALS		\$ 28,963,901	\$ (19,131,249)	\$ 9,832,652	\$ 7,801,115	\$ 17,633,767