



SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE

DATE: April 10, 2013

TO: Oversight Board

TITLE: Review of Loans Between City of Roseville and Former

Redevelopment Agency

CONTACT: Jan Shonkwiler, Housing Manager

(916)774-5273 jshonkwiler@roseville.ca.us

Meeting Date: April 22, 2013

SUMMARY RECOMMENDATION

Successor Agency staff recommends the Oversight Board:

1. Adopt the sixteen (16) attached resolutions finding that the loan agreements between the City of Roseville and the Former Redevelopment Agency of the City of Roseville were for a legitimate redevelopment purpose pursuant to Health & Safety Code §34191.4(b)(1); and

2. Authorize staff to develop the appropriate repayment schedule and interest accrual for these City loans in accordance with Health & Safety Code §34191.4(b)(2)(A-C).

BACKGROUND

The Successor Agency is awaiting the results of the Due Diligence Review (DDR) of the "other funds" (non-Housing) by the Department of Finance (DOF). Once DOF has reviewed the DDR, given guidance on the final results of the fund balances, and the Successor Agency remits any remaining unencumbered fund balances, the Successor Agency may file an application for a "Finding of Completion" (FOC).

Once the FOC is filed and approved by DOF, the Successor Agency may undertake the following activities, pursuant to Health & Safety Code §34191.4 (see Page 5):

- 1. Begin collecting on City loans, which were entered into between the City of Roseville and former Redevelopment Agency, if the Oversight Board approves the loans were for a "legitimate redevelopment purpose"; and
- 2. Begin expending unspent bonds for their intended purpose, with Oversight Board approval.

In anticipation of receiving a Finding of Completion in the upcoming months, Successor Agency staff was interested in facilitating the Oversight Board's review of the City loan agreements prior to receiving the FOC. An email was sent to DOF to inquire about the timing of this review, and they responded that the Oversight Board can make the determination that the loans were for a legitimate redevelopment purpose in advance of receiving the FOC (see Attachment #1).

There are sixteen loans which have been entered into between the City of Roseville and the former Redevelopment Agency. The listing of those loans as well as the stated purpose of those loans are itemized in Attachment #2. The actual loan agreements can be found on the Successor Agency's webpage:

http://www.roseville.ca.us/citymanager/oversight board/successor agency documents.asp

Definition of Redevelopment

Although Health & Safety Code §34191.4(b)(1) does not define "legitimate redevelopment purpose", the definition of Redevelopment can be found in the following Health & Safety Codes:

33020.

"Redevelopment" means the planning, development, replanning, redesign, clearance, reconstruction, or rehabilitation, or any combination of these, of all or part of a survey area, and the provision of those residential, commercial, industrial, public, or other structures or spaces as may be appropriate or necessary in the interest of the general welfare, including recreational and other facilities incidental or appurtenant to them and payments to school and community college districts in the fiscal years specified in Sections 33681, 33681.5, 33681.7, 33681.9, and 33681.12.

33020.5.

In addition to Section 33020, "redevelopment" also means payments to school districts in the fiscal years specified in Sections 33690 and 33690.5.

33021.

Redevelopment includes:

- (a) The alteration, improvement, modernization, reconstruction, or rehabilitation, or any combination of these, of existing structures in a project area.
- (b) Provision for open-space types of use, such as streets and other public grounds and space around buildings, and public or private buildings, structures and improvements, and improvements of public or private recreation areas and other public grounds.
- (c) The replanning or redesign or original development of undeveloped areas as to which either of the following conditions exist.
 - (1) The areas are stagnant or improperly utilized because of defective or inadequate street layout, faulty lot layout in relation to size, shape, accessibility, or usefulness, or for other causes.
 - (2) The areas require replanning and land assembly for reclamation or development in the interest of the general welfare because of widely scattered ownership, tax delinquency, or other reasons.

33021.1.

In a city and county, redevelopment includes improving, increasing, or preserving emergency shelters for homeless persons or households. These shelters may be located within or outside of established redevelopment project areas. Notwithstanding any other provision of law, only redevelopment funds other than those available pursuant to Section 33334.3 may be used to finance these activities.

33022.

Redevelopment does not exclude the continuance of existing buildings or uses whose demolition and rebuilding or change of use are not deemed essential to the redevelopment and rehabilitation of the area.

33391.

Within the survey area or for purposes of redevelopment an agency may:

(a) Purchase, lease, obtain option upon, acquire by gift, grant, bequest, devise, or otherwise, any real or personal property, any interest in property, and any improvements on it, including repurchase of developed property previously owned by the agency.

(b) Acquire real property by eminent domain.

34001.

Authorization to establish redevelopment agency.

(a) Except as specifically provided in this part, a community shall comply with the Community Redevelopment Law.

(b) A community may establish a redevelopment agency, and adopt and implement a redevelopment plan pursuant to this part, within a disaster area if the community has commenced the adoption of the redevelopment plan within six months after the President of the United States has determined the disaster to be a major disaster pursuant to paragraph (1) of subdivision (a) of Section 34002 and the legislative body has adopted the redevelopment plan within 24 months after the President of the United States has determined the disaster to be a major disaster pursuant to paragraph (1) of subdivision (a) of Section 34002.

The former Redevelopment Agency had two project areas: The original project area was created to reduce blight by increasing the taxable value of properties within that specific area. The second project area is referred to as the "Flood Area" and was created in order to finance the mitigation measures necessary (such as the floodwall) to decrease flooding along Linda Creek in the mid-1990s pursuant to the area being designated a disaster area by the federal government.

FISCAL IMPACT

Once the Oversight Board determines that the City loan agreements were for a legitimate redevelopment purpose AND the Successor receives its Finding of Completion from the Department of Finance, the City loans can be listed on future Recognized Obligation Payment Schedules. However, City staff will need to re-establish a repayment schedule and interest accrual limitations as outlined in the legislation.

In total the City loans equate to \$34,749,251, based on the original loan amounts. The legislation regarding repayment of those loans, is very restrictive and it will take decades to repay this debt using the formula outlined in Health & Safety Code §34191.4(b)(2)(A-C) [see Page 5].

Respectfully Submitted,

Jan Shonkwiler Housing Manager

APPROVED:

John Sprague Assistant City Manager

Successor Agency/City of Roseville

Attachments:

- 1) Department of Finance Email dated 3/28/13
- 2) Listing of 16 Loans between City of Roseville and the Former Redevelopment Agency
- 3) Resolutions Approving City Loans Were For Legitimate Redevelopment Purpose

Health & Safety Code 34191.4

The following provisions shall apply to any successor agency that has been issued a finding of completion by the Department of Finance:

- (a) All real property and interests in real property identified in subparagraph (C) of paragraph (5) of subdivision (c) of Section 34179.5 shall be transferred to the Community Redevelopment Property Trust Fund of the successor agency upon approval by the Department of Finance of the long-range property management plan submitted by the successor agency pursuant to subdivision (b) of Section 34191.7 unless that property is subject to the requirements of any existing enforceable obligation.
- (b) (1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created by the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.
- (2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The loan shall be repaid to the city, county, or city and county in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligations payment schedules shall be subject to all of the following limitations:
- (A) Loan repayments shall not be made prior to the 2013–14 fiscal year. Beginning in the 2013–14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012–13 base year. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.
- (B) Repayments received by the city, county or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.
- (C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid.

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- (c) (1) Bond proceeds derived from bonds issued on or before December 31, 2010, shall be used for the purposes for which the bonds were sold.
- (2) (A) Notwithstanding Section 34177.3 or any other conflicting provision of law, bond proceeds in excess of the amounts needed to satisfy approved enforceable obligations shall thereafter be expended in a manner consistent with the original bond covenants. Enforceable obligations may be satisfied by the creation of reserves for projects that are the subject of the enforceable obligation and that are consistent with the contractual obligations for those projects, or by expending funds to complete the projects. An expenditure made pursuant to this paragraph shall constitute the creation of excess bond proceeds obligations to be paid from the excess proceeds. Excess bond proceeds obligations shall be listed separately on the Recognized Obligation Payment Schedule submitted by the successor agency.
- (B) If remaining bond proceeds cannot be spent in a manner consistent with the bond covenants pursuant to subparagraph (A), the proceeds shall be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

(Added by Stats. 2012, Ch. 26, Sec. 35. Effective June 27, 2012.)

Shonkwiler, Jan

From:

Redevelopment Administration < RedevelopmentAdministration@dof.ca.gov>

Sent:

Thursday, March 28, 2013 9:59 AM

To:

Shonkwiler, Jan; Redevelopment Administration

Cc:

Schmitt, Bob; Payne, Kevin; Hagan, Melissa

Subject:

RE: Oversight Board Review of City Loan Agreements

Yes. The oversight board can make that determination in advance. Please note that all loan repayments will be governed by the criteria in HSC section 34191.4 (a) (2).

Department of Finance

From: Shonkwiler, Jan [mailto:JShonkwiler@roseville.ca.us]

Sent: Wednesday, March 27, 2013 5:08 PM

To: Redevelopment Administration

Cc: Schmitt, Bob; Payne, Kevin; Hagan, Melissa

Subject: Oversight Board Review of City Loan Agreements

Could an Oversight Board approve a City loan was "for a legitimate redevelopment purpose", pursuant to H & S 34191.4(b)(1) prior to a Successor Agency receiving its Finding of Completion?

We understand that we cannot place any loan repayments on a ROPS until we get our Finding of Completion (FOC), but in anticipation of receiving the FOC in the near future, we may want to anticipate getting these loans reviewed by our Oversight Board prior to receiving the FOC.

Thank you very much for your assistance.

Jan Shonkwiler

Housing Manager/Deputy Director Housing Division/Roseville Housing Authority City of Roseville 311 Vernon St. Roseville, CA 95678 (916) 774-5273 (direct line) (916) 746-1295 fax www.roseville.ca.us/housing



Listing of Loans between City of Roseville & Former Redevelopment Agency

	Loan	Reason for Loan	Loan Date	Original	City's Originating
	Identifier	Health & Safety Code Citation		Loan Amount	Fund
H	City Loan-969201	Loan for Formation of Redevelopment Agency	9/04/1991	\$969,201	Auto Replacement
		H & S Code §33020			
2	City Loan-170000	Acquisition of Real Property (120 Grant Street), in Project Area, as part of the Civic Center expansion	2/12/1992	\$170,000	Auto Replacement
		H & S Code §33021(a)			
m	City Loan-100000	Tower Theater Improvement Project in Project Area	9/15/1994	\$100,000	Auto Replacement
		H & S Code §33021(a)			
4	City Loan-59700	Loan to Pay for Consultant Fees in Formation of Redevelopment Agency H & S Code §33020	9/23/1997	\$59,700	Auto Replacement
ın	City Loan-85671	Underpayment of School District Passthroughs not covered by Tax Increment	3/15/2000	\$85,671	General Fund
		H & S Code §33020			
9	City Loan-552217	Formation of Flood Control Project Area and Mitigation Measures	5/15/2000	\$552,217	General Fund
		H & S Code §34001			
7	City Loan-7747948	Flood Control Mitigation Measures in Flood Control Project Area	12/04/2002	\$7,747,948	General Fund
		H & S Code §34001			

œ	City Loan-3900000	Flood Control Mitigation Measures in Flood Control Project Area	12/04/2002	\$3,900,000	Gas Tax
		H & S Code §34001			
6	City Loan-1000000	Acquisition of Real Property (238 Vernon St), within Project Area, to encourage future plans for more intensified use of the building	9/07/2005	\$1,000,000	Strategic Improvement
		H & S Code §33021(a)			
10	City Loan-3000000	Roseville Automall Façade Improvements (located within Project Area)	3/04/2009	\$3,000,000	Strategic Improvement
		H & S Code §33021(a)			
# 1000	City Loan-3747668	Acquisition of Real Property (6.7 acres of undeveloped land plus 33,246 square feet of unused roadway right of way) for future relocation of downtown Post Office Distribution Site from 320 Vernon Street to 8051 Washington Blvd. The postal facility will need approximately 2.5 acres. The remaining 4.2 acres were intended to be kept by the Redevelopment Agency to foster downtown redevelopment and/or for other potential public uses. H & S Code §33391(a)	4/18/2007	\$3,747,668	Strategic Improvement
12	City Loan-2100000	Acquisition of Property (320 Vernon St, US Post Office), within Project Area, to create a future viable development site in downtown, which could include the retail aspect of the Post Office operations. H & S Code §33021(a)	3/17/2010	\$2,100,000	Strategic Improvement

13	City Loan-5000000	Startup Costs for Roseville Community Development Corporation (RCDC) at 501(c)3, non-profit, with the mission to revitalize the downtown area by purchasing properties and improving them for future development. Redevelopment Agency was used as conduit for funding from the City. H & S Code §33020 and §33021(a)	2/28/2011	\$5,000,000	Strategic Improvement
14	City Loan-1500000	Vernon Street Streetscape Project, improving the esthetic value of the area, thereby increasing the property values and increasing business attraction. H & S Code §33021(a)	4/05/2000	\$1,500,000	General Fund
15	City Loan-4000000	Riverside Avenue Streetscape and Infrastructure Improvement Project, improving the esthetic value of the corridor, thereby increasing the property values and increasing business attraction. H & S Code §33021(a)	5/31/2009	\$4,000,000	Strategic Improvement
16	Low Mod Loan	Loan from Low/Moderate Income Housing Fund to pay Redevelopment Agency's Obligation to pay Supplemental Educational Revenue Augmentation Fund (SERAF) for the 10/11 Fiscal Year, as Tax Increment was inadequate to pay SERAF.	6/30/11	\$816,846	Low/Mod Income Housing Fund
			Total	\$34,749,251	