

ITEM NO. <u>2</u>
MEETING DATE <u>October 17, 2013</u>
APPROVED BY
STAFF AUTHOR
ASSISTANT CITY MANAGER 

**OVERSIGHT BOARD TO THE
CITY OF REDDING AS
SUCCESSOR AGENCY TO THE
REDDING REDEVELOPMENT AGENCY**

DATE: October 7, 2013
R-030-604

FROM: Barry Tippin, Assistant City Manager

SUBJECT: Consideration of Successor Agency Action to Reenter Repayment Agreement with the City of Redding

Recommendation

It is the recommendation of staff that the Oversight Board (OB) review and approve, by resolution, the action taken on October 15, 2013, by the City of Redding as Successor Agency to the Redding Redevelopment Agency (Successor Agency) approving the Agreement to Reenter the Repayment Agreement dated May 18, 1999, with the City of Redding (City).

Background

Two of the redevelopment project areas administered by the former Redding Redevelopment Agency (RRA) were multi-jurisdictional areas, with boundaries that included property outside of the Redding city limits. The joint project areas were the Buckeye Project and the SHASTEK Project. The State of California considers the Redding Successor Agency the sole entity responsible for dissolution activities related to these areas.

One of the principal redevelopment projects undertaken within the SHASTEK Redevelopment Project Area was the development of the Clover Creek Storm Drainage Detention Facility. This facility, completed in 2005, provides regional storm water detention within the Clover Creek drainage area on the eastern side of the community in the vicinity of Shasta View Drive, just north of Rancho Road. In order to finance the project, the City, in 1998, agreed to loan the SHASTEK partner agencies (RRA, the Shasta County Redevelopment Agency, and the Anderson Redevelopment Agency) \$2 million from its Risk Management Fund. At that time, all parties executed a Repayment Agreement describing the terms and conditions of the City's loan, including a repayment schedule. Pursuant to the terms of the Repayment Agreement, repayment of the loan was deferred for twelve (12) years. A copy of the Repayment Agreement is attached. Regular payments were to begin in Fiscal Year (FY) 2009-10 and continue for ten years or until the debt was fully retired. A payment was made as scheduled in FY 2009-10, FY 2010-11, and in FY 2011-12, prior to dissolution of the RRA. Following dissolution, the Repayment Agreement was listed as an Enforceable Obligation on each of the Recognized Obligation Payment Schedule documents prepared by the Successor Agency and subsequently approved by the Oversight Board and the State Department of Finance (DOF). A scheduled loan payment was made in FY 2012-13 and one is scheduled to be made in FY 2013-14.

Earlier this month, the State Controller's Office (SCO) conducted a limited "asset transfer review" on the former RRA's financial transactions for the time period January 1, 2011, through January 31, 2012, and has

questioned the validity of the payment made under the Repayment Agreement in FY 2011-12. The SCO has tentatively indicated it believes the \$226,800 payment should be clawed back by the State. However, because the Successor Agency has received its "Finding of Completion" from the State DOF and in accordance with Health and Safety Code (HSC) Section 34178(a), the Successor Agency may "reenter" into previously established agreements with its legislative body upon approval by its Oversight Board. Only agreements such as the subject Repayment Agreement that have not been previously deleted or reduced by the Department of Finance are eligible for this particular action.

On Tuesday, October 15, 2013, the Redding City Council and the Successor Agency Board of Directors will meet to consider entering into an Agreement to Reenter the Repayment Agreement dated May 18, 1999 (Agreement to Reenter). It is anticipated that the SA and the City will approve the Agreement to Reenter, subject to the Oversight Board subsequent consideration and action, pursuant to HSC Section 34178(a).

Issue

Does the Oversight Board wish to adopt the attached resolution approving the Successor Agency action to enter into the Agreement to Reenter?

Alternatives; Implications of Alternatives

The Oversight Board could:

1. Choose to adopt the attached resolution. Adoption of the resolution will allow the Successor Agency to continue to repay the City pursuant to the terms and conditions stated in the original Repayment Agreement.
2. Choose to not adopt the attached resolution. The action taken by the Successor Agency to reenter the Repayment Agreement will not be valid. Based upon the SCO's preliminary audit findings, it is likely that at least one loan payment will be required to be returned by the City and that further payments to the City under the original Repayment Agreement will not be possible.

Conclusion

HSC Section 34178(a) provides for a successor agency to reenter a previously existing agreement with its legislative body under certain circumstances and with the approval of its oversight board. The City's Repayment Agreement meets the necessary criteria for this action to be valid.

Attachments

Proposed Agreement to Reenter
Resolution

**AGREEMENT
TO REENTER REPAYMENT AGREEMENT DATED May 18, 1999**

This Agreement to Reenter Repayment Agreement Dated May 18, 1999 ("Agreement") is entered into effective as of _____, 2013 ("Effective Date") the date that the action is approved by the Oversight Board, by and between the City of Redding acting as Successor Agency to the former Redding Redevelopment Agency ("Successor Agency") and the City of Redding, a municipal corporation ("City"). The Successor Agency and the City are hereinafter collectively referred to as the "Parties." This Agreement is entered into, on the basis of the following facts, understandings and intentions of the Parties:

RECITALS

- A. Pursuant to the SHASTECC Project Formation and Administration Agreement, dated January 25, 1995, and amended on June 3, 2005, the Redding Redevelopment Agency ("RRA") was designated the lead administrative agency for the SHASTECC Project.
- B. On May 18, 1999, the City of Redding ("City") and the RRA entered into a Repayment Agreement ("Repayment Agreement"), in which the City agreed to lend \$2 million to the SHASTECC Redevelopment Project for the construction of the Clover Creek Storm Drainage Detention Facility, pursuant to the terms and conditions stated in the Repayment Agreement.
- C. Pursuant to the Repayment Agreement, the RRA made all required loan payments to the City starting in Fiscal Year 2009-10 through Fiscal Year 2011-12.
- D. On February 1, 2012, the RRA was dissolved pursuant to Health and Safety Code (HSC) Sections 34161 – 34166.
- E. Pursuant to HSC Section 34173, by Resolution No. 2012-001, the City Council of the City of Redding elected to become the Successor Agency to the RRA.
- F. HSC Section 34178(a) states that upon dissolution, all agreements between the redevelopment agency and the legislative body that created it are invalid, provided, however, that a successor entity wishing to reenter into agreements with the legislative body may do so upon obtaining the approval of its oversight board.
- G. The Parties desire to reenter into the Repayment Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

The Repayment Agreement, dated May 18, 1999, attached hereto and made a part hereof, is hereby reentered into by the Parties. All terms and conditions of the Repayment Agreement are considered in full force and effect.

IN WITNESS WHEREOF, this Agreement has been executed as of the date set forth in the opening paragraph of this Agreement.

CITY OF REDDING

Rick Bosetti, Mayor

ATTEST:

APPROVED AS TO FORM:
Richard A. Duvernay, City Attorney

Pamela Mize, City Clerk

By:

CITY OF REDDING ACTING AS
SUCCESSOR AGENCY TO THE
FORMER REDDING REDEVELOPMENT
AGENCY

Rick Bosetti, Chair

ATTEST:

APPROVED AS TO FORM:
Richard A. Duvernay, City Attorney

Pamela Mize, City Clerk

By:

N:\Agreements\City and SA Agreement to reenter SHASTEC Repayment Agreement.docx

REPAYMENT AGREEMENT

THIS REPAYMENT AGREEMENT is made and entered into by and between the **CITY OF REDDING**, a municipal corporation and general law city ("City"), and the **REDDING REDEVELOPMENT AGENCY**, an agency of the State of California, the **SHASTA COUNTY REDEVELOPMENT AGENCY**, an agency of the State of California, and the **ANDERSON REDEVELOPMENT AGENCY**, an agency of the State of California, (the latter three entities collectively referred to herein as "SHASTECS"):

RECITALS

- A. On July 2, 1996, the Cities of Redding and Anderson and the County of Shasta jointly adopted a Redevelopment Plan for the SHASTECS Redevelopment Project Area, the redevelopment of same to be undertaken jointly by SHASTECS.
- B. The California Constitution Article XVI, Section 16, provides that property tax revenues generated by increases in assessed value within a redevelopment project area shall be allocated to the redevelopment agency or agencies financing or refinancing, in whole or in part, the redevelopment project.
- C. The Redevelopment Plan for the SHASTECS Redevelopment Project Area provides for the use of tax increment funds generated within the Project Area for the payment of the principal of and interest on any specific advances, loans, and indebtedness appropriate in carrying out the Project.
- D. The SHASTECS Redevelopment Project is in need of \$2,000,000 for the redevelopment of the Project Area, specifically, for the construction of a long-term storm drainage detention facility in the Clover Creek floodplain.
- E. The City has identified funds available in the Risk Management Fund that it is willing to loan to the SHASTECS Redevelopment Project Area for the described Clover Creek facility on the terms and conditions set forth below.
- F. The City has determined that the Risk Management Fund does not need the identified funds for the immediate necessities of the Fund nor for the proposed term of the loan.
- G. The SHASTECS Redevelopment Project will have funds available to repay the loan from its tax increment proceeds starting in the 2009-2010 fiscal year.
- H. SHASTECS has determined that there are no other resources available to fully fund the development of the Clover Creek facility without SHASTECS assistance.

AGREEMENT

- 1. The City agrees to provide funds in an amount not to exceed \$2,000,000 from its Risk Management Fund to the SHASTECS Redevelopment Project in the form of a loan (City Loan) on the terms and conditions set forth below.

2. The City Loan shall accrue interest at the same rate and frequency as the City's actual pooled cash account. Interest shall accrue on the unpaid principal balance beginning on the effective date of the City Loan and continuing until such time as the indebtedness is paid in full.

3. On an annual basis, the City shall apply all fees collected within its Clover Creek Benefit District to the unpaid principal balance of the City Loan beginning on the effective date of the City Loan and continuing until such time as the indebtedness is paid in full. Such principal reductions shall directly offset the SHASTECC repayment obligation.

4. Notwithstanding any principal reductions made pursuant to Paragraph 3 above, the City Loan shall be considered an indebtedness obligation of the SHASTECC Redevelopment Project only and no other redevelopment project area.

5. SHASTECC agrees to make annual payments to City of both principal and interest on the City Loan starting in the 2009-2010 fiscal year. The funding source for such payments shall be tax increment revenues generated by the SHASTECC Redevelopment Project, or bond proceeds secured by the SHASTECC Redevelopment Project and no other source. Annual payments shall be made no later than June 30 of any fiscal year.

6. No later than thirty (30) days prior to the annual payment due date, City shall provide a statement of the specific pooled cash interest rate to be applied to the City Loan. Exhibit A - Clover Creek Loan Amortization Schedule, attached hereto and made a part hereof, is for illustration purposes only and is not necessarily representative of the actual annual payment to be made in any year.

7. The principal and interest on the City Loan shall be due and payable in full by June 30, 2019. Each payment shall be credited first on interest then due and the remainder on principal. Immediately thereafter, interest shall cease on the principal so credited. Principal and interest are payable in lawful money of the United States.

Should default be made in payment of any installment when due, the whole sum of principal and interest shall become immediately due and payable at City's option. Failure by City to exercise this option does not constitute a waiver of the right to exercise it in the event of any subsequent default.

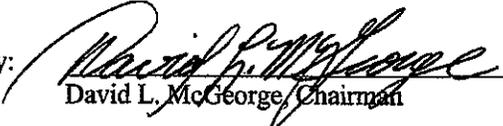
Whether or not suit is filed, SHASTECC agrees to pay all reasonable attorney's fees, costs of collection, costs, and expenses incurred by City in connection with the enforcement or collection of this Agreement. SHASTECC further agrees to pay all costs of suit and the sum adjudged as attorney's fees in any action to enforce payment of this Agreement or any part of it.

8. The effective date of the City Loan shall be the date that the City executes this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Repayment Agreement in the presence of their respective officers duly authorized in that behalf on the days and year set forth below.

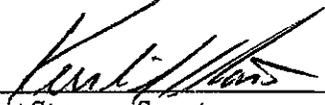
REDDING REDEVELOPMENT AGENCY

Dated: May 18, 1999

By: 
David L. McGeorge, Chairman

ATTEST:

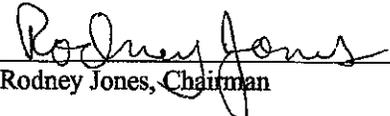
APPROVED AS TO FORM:


Kurt Starman, Secretary


David E. Tranberg, Assistant City Attorney

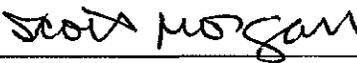
ANDERSON REDEVELOPMENT AGENCY

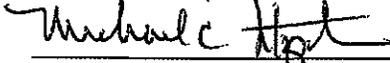
Dated: APRIL 20, 1999

By: 
Rodney Jones, Chairman

ATTEST:

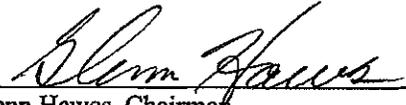
APPROVED AS TO FORM:


Scott Morgan, Secretary


Michael Fitzpatrick, Legal Counsel

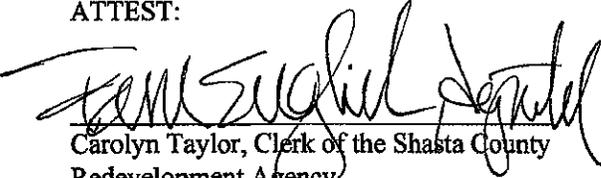
SHASTA COUNTY REDEVELOPMENT AGENCY

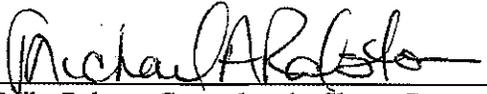
Dated: April 6, 1999

By: 
Glenn Hawes, Chairman

ATTEST:

APPROVED AS TO FORM:


Carolyn Taylor, Clerk of the Shasta County
Redevelopment Agency


Mike Ralston, Counsel to the Shasta County
Redevelopment Agency

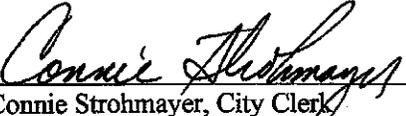
CITY OF REDDING

Dated: 5-18, 1999

By: 
Robert C. Anderson, Mayor

ATTEST:

APPROVED AS TO FORM:


Connie Strohmayer, City Clerk

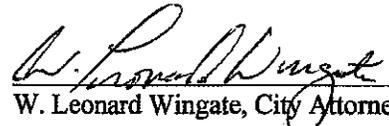

W. Leonard Wingate, City Attorney

EXHIBIT A

SHASTEC

Clover Creek Loan Amortization Schedule
 Principal & 1st Ten Years Interest - \$3,481,607.98
 Based on a projected interest rate of 5.7%

	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Beginning Balance	171,055	560,540	527,803	531,563	573,006	653,362	773,900	935,931	1,140,813	1,389,947	1,684,782
Real Property Value @ 3.5%	144,456,252	149,512,221	154,745,149	160,161,229	165,766,872	171,568,713	177,573,618	183,788,694	190,221,298	196,879,044	203,769,810
Unsecured @ 2%	50,177,100	51,180,642	52,204,255	53,248,340	54,313,307	55,399,573	56,507,565	57,637,716	58,790,470	59,968,280	61,165,605
Plus: New Development Value	1,444,563	1,495,122	1,547,451	1,601,612	1,657,669	1,715,687	1,775,736	1,837,887	1,902,213	1,968,790	2,037,698
Less: Assessment Appeals											
Total Real Property Value	196,077,915	202,187,986	208,496,856	215,011,182	221,737,848	228,683,973	235,856,918	243,264,297	250,913,982	258,814,114	266,973,114
Incremental Value Over Base Value	67,329,023	73,439,094	79,747,964	86,262,290	92,988,956	99,935,081	107,108,026	114,515,405	122,165,090	130,065,222	138,224,222
Tax Increment Revenue	673,290	734,391	797,480	862,623	928,890	999,351	1,071,080	1,145,154	1,221,651	1,300,652	1,382,242
Unitary Revenue	0	0	0	0	0	0	0	0	0	0	0
Supplemental Revenue	0	0	0	0	0	0	0	0	0	0	0
Gross Tax Increment Revenue	673,290	734,391	797,480	862,623	928,890	999,351	1,071,080	1,145,154	1,221,651	1,300,652	1,382,242
Less:											
Property Tax Collection Fee	18,529	20,210	21,947	23,739	25,591	27,502	29,476	31,515	33,620	35,794	38,039
Property Tax Delinquencies											
Assessment Appeal Refunds											
Housing Set-Aside	134,658	146,878	159,496	172,525	185,978	199,870	214,216	229,031	244,330	260,130	276,448
Pass-Throughs	96,954	105,752	114,837	124,218	133,904	143,907	154,236	164,902	175,918	187,294	199,043
Net Tax Increment Revenue	423,149	461,550	501,200	542,141	584,417	628,072	673,153	719,706	767,783	817,434	868,712
Interest Income	0	0	0	0	0	0	0	0	0	0	0
TOTAL AVAILABLE FUNDS	594,204	1,022,090	1,029,003	1,073,704	1,157,423	1,281,434	1,447,052	1,655,638	1,908,597	2,207,381	2,553,494
Less:											
Admin Expense	33,665	36,720	39,874	43,131	46,494	49,968	53,554	57,258	61,083	65,033	69,112
Clover Creek Loan - Principal	0	265,993	281,557	298,032	315,470	333,929	353,489	374,151	396,044	419,217	443,747
Clover Creek Loan - Interest	0	191,574	176,010	159,535	142,097	123,637	104,098	83,416	61,523	38,349	13,820
Total Debt & Admin Expense	33,665	494,286	497,441	500,696	504,061	507,534	511,121	514,824	518,649	522,599	526,679
Capital Projects											
Ending Balance	560,540	527,803	531,563	573,006	653,362	773,900	935,931	1,140,813	1,389,947	1,684,782	2,026,815

RESOLUTION NO. 2013-06

RESOLUTION OF THE OVERSIGHT BOARD TO THE CITY OF REDDING AS SUCCESSOR AGENCY TO THE REDDING REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY ACTION TO REENTER REPAYMENT AGREEMENT DATED MAY 18, 1999, PURSUANT TO HEALTH AND SAFETY CODE SECTION 34178(a)

WHEREAS, on February 1, 2012, the Redding Redevelopment Agency (“RRA”) was dissolved pursuant to Health and Safety Code (HSC) Sections 34161 - 34166; and

WHEREAS, pursuant to HSC §34173(d), by Resolution No. 2012-01, the City Council of the City of Redding (City) elected to become the Successor Agency to the RRA (“Successor Agency”); and

WHEREAS, HSC Section 34179.7, provides for the State Department of Finance (“DOF”) to issue a Finding of Completion to successor agencies under certain conditions; and

WHEREAS, on June 20, 2013, the DOF did issue a Finding of Completion to the Successor Agency; and

WHEREAS, HSC Section 34178(a), provides, upon issuance of a Finding of Completion, a successor agency may reenter into agreements with the city that formed the redevelopment agency it is succeeding, upon approval of its oversight board; and

WHEREAS, on October 15, 2013, the Successor Agency by Resolution No. 2013-03 approved the Agreement to Reenter the Repayment Agreement dated May 18, 1999, (Agreement to Reenter) subject to the Oversight Board’s approval.

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board of the Successor Agency to the Redding Redevelopment Agency, hereby finds and determines:

Section 1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

Section 2. Approval of Successor Agency Action. The Oversight Board hereby approves the Successor Agency’s action to approve the Agreement to Reenter, attached to this Resolution as Exhibit A.

I HEREBY CERTIFY that the foregoing resolution was introduced, read, and adopted at a Special Meeting of the Oversight Board of the Successor Agency to the Redding Redevelopment Agency on the 17th day of October 2013, and was duly adopted at said meeting by the following vote:

AYES: BOARD MEMBER:
NOES: BOARD MEMBER:
ABSENT: BOARD MEMBER:
ABSTAIN: BOARD MEMBER:

Sue Thompson, Chair

ATTEST:

Pamela Mize, City Clerk