



OVERSIGHT BOARD

OF THE CITY OF LONG BEACH AS SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF LONG BEACH

333 West Ocean Blvd., 3rd Floor, Long Beach, CA 90802 Phone: 562.570.6615 Fax: 562.570.6215

January 27, 2016

OVERSIGHT BOARD MEMBERS

RECOMMENDATION:

Adopt a Resolution finding that certain agreements between the City of Long Beach and the former Redevelopment Agency of the City of Long Beach were for legitimate redevelopment purposes; and

Approve a repayment schedule for those agreements.

DISCUSSION

Cities with redevelopment agencies commonly loaned funds to those agencies to carry out the purposes of their adopted redevelopment plans, especially during the early years of a redevelopment project when the amount of tax increment generated annually was not sufficient to initiate redevelopment activities. Furthermore, redevelopment agencies needed to have established debt as a requirement to receive tax increment. Cities made loans to their redevelopment agencies to initiate redevelopment activities, expecting the loans to be repaid with interest.

AB1x26, the "Dissolution Act", voided loan agreements between cities and redevelopment agencies. AB 1484, legislation adopted to clean up earlier provisions of the Dissolution Act, provided that City/Agency loans could be deemed enforceable obligations under certain circumstances:

- A successor agency had received a finding of completion.
- A successor agency had repaid the former redevelopment agency's debt to the Low- and Moderate-Income Housing Set-Aside Fund.
- A successor agency's oversight board made a finding that the City and Agency loan agreements were for legitimate redevelopment purposes.

On April 26, 2013, the Successor Agency to the Redevelopment Agency of the City of Long Beach (Successor Agency) received its Finding of Completion. In July 2016, the Successor Agency will repay the remaining debt of the former Redevelopment Agency of the City of Long Beach (Agency) to the Low- and Moderate-Income Housing Set-Aside Fund (Housing Fund). With this final payment, the Successor Agency may begin repaying loans the City of Long Beach made to the Agency if the Oversight Board to the Successor Agency of the City of Long Beach (Oversight Board) finds that those loans were for legitimate redevelopment purposes.

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During 2015, the State of California passed SB 107, which restricts the type of City and Agency loan agreements that may be reinstated as enforceable obligations. The new law defined City/Agency loans to be those that were: (1) loans for money pursuant to a repayment schedule, (2) loans that involved the transfer to real property interest, and (3) documented agreements that involved third parties that will only be reimbursed to an amount not to exceed \$5 million. This new definition significantly deviated from the previously accepted definition of City/Agency loans and invalidated many loans on which Long Beach and other California cities expected to receive repayments. Through the lens of the new City/Agency loan definition per SB 107, City staff reviewed each of the former City/Agency loan agreements. The table below identifies agreements that the City and the Agency entered into to accomplish the goals of the redevelopment plans and that meet the requirements of SB 107. The total amount owing is \$41,784,350.

Contract		
Number	Date	Purpose
CT85	08/03/2007	Park development in underserved areas of the Central Project Area
NB65	08/08/2007	Park development in underserved areas of the North Long Beach Project Area
CT05	12/18/1993	Site assembly for the MTA Blue Line and surrounding commercial development
DT 562	10/02/2002	Site assembly for residential development

Similar to the repayment of the Agency's debt to the Housing Fund, the repayment of loans from the City is subject to the annual formula described in Section 34191.4(b)(3)(A) of the Health and Safety Code.

The formula for the repayment amount in Fiscal Year 2016 (FY 16) is as follows:

$(\text{ROPS 15-16A\&B residual proceeds} - \text{ROPS 12-13A\&B residual proceeds}) \times 50\%$

or

$(\$75,691,179 - \$45,018,614) \times 50\% = \$15,336,283$

As mentioned previously, the Successor Agency must repay funds borrowed from the Housing Fund before it may begin the repayment of City/Agency loans. Prior to making a repayment on the City/Agency loans, the Successor Agency will make the final payment to the Housing Fund, which totals \$10,842,868. The amount of residual revenue available exceeds the amount needed to pay the remaining balance owed to the Housing Fund by \$4,493,415. This excess may be applied to the City/Agency debt repayment.

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The proposed repayment schedule is as follows:

City's Fiscal Year/ ROPS Period	Payments Completed	Payment Request Based on Actual Residuals	Payment Based on Estimated Residuals*	Balance
Beginning Balance				\$41,784,350
2015-16/ ROPS 16-17	\$0	\$4,493,415		\$37,290,936
2016-17/ ROPS 17-18			\$6,500,000	
2017-18/ ROPS 18-19			\$14,200,000	
2018-19/ ROPS 19-20			\$12,900,000	
2019-20/ ROPS 20-21			\$3,690,936	

*Actual repayment amounts will be less than or equal to the maximum amount allowed pursuant to Health and Safety Code Section 34176(e)(6)(B).

Payments after the Recognized Obligation Payment Schedule (ROPS) 16-17 period are estimates. The repayment amounts will be updated annually when the actual fiscal year residual amount is available. Actual repayment amounts will not exceed the maximum amount allowed pursuant to Health and Safety Code Section 34176(e)(6)(B).

Respectfully submitted,



AMY J. BODEK, AICP
DIRECTOR OF DEVELOPMENT SERVICES



PATRICK H. WEST
CITY MANAGER

PHW:AJB:LAF

Z:\1_Successor Agency\OVERSIGHT BOARD\STAFF REPORTS Oversight Board\2016\B January 27 - Special\OB City.Agency
Repayment.doc

Attachment: Resolution

1 RESOLUTION NO. _____

2
3 A RESOLUTION OF THE OVERSIGHT BOARD OF
4 THE CITY OF LONG BEACH AS THE SUCCESSOR
5 AGENCY TO THE REDEVELOPMENT AGENCY OF THE
6 CITY OF LONG BEACH FINDING THAT CERTAIN
7 AGREEMENTS BETWEEN THE CITY OF LONG BEACH
8 AND THE FORMER REDEVELOPMENT AGENCY OF THE
9 CITY OF LONG BEACH WERE FOR LEGITIMATE
10 REDEVELOPMENT PURPOSES, AND APPROVING A
11 REPAYMENT SCHEDULE FOR THOSE AGREEMENTS

12
13 WHEREAS, cities with redevelopment agencies commonly loaned funds to
14 those agencies to carry out the purposes of their adopted redevelopment plans; and

15 WHEREAS, AB1X26 (the "Dissolution Act"), voided loan agreements
16 between cities and redevelopment agencies; and

17 WHEREAS, AB1484, legislation adopted to clean up earlier provisions of
18 the Dissolution Act, provided that city-agency loans could be deemed enforceable
19 obligations under certain circumstances; and

20 WHEREAS, on April 26, 2013 the Successor Agency to the Redevelopment
21 Agency of the City of Long Beach ("Successor Agency") received its Finding of
22 Completion; and

23 WHEREAS, in 2015, the State of California passed SB107, which restricts
24 the type of city-agency loan agreements that may be reinstated as enforceable
25 obligations; and

26 WHEREAS, the new law defined city-agency loans as those that were: 1)
27 loans for money pursuant to a repayment schedule, 2) loans that involved the transfer to
28 real property interest, and 3) documented agreements between third parties that didn't

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CHARLES PARKIN, City Attorney
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1 exceed \$5 million; and

2 WHEREAS, in July 2016, the Successor Agency will repay the former Long
3 Beach Redevelopment Agency's remaining debt to the Low and Moderate Income
4 Housing Set-Aside Fund and with this final payment, may begin repaying loans the City
5 of Long Beach made to the Agency if the Oversight Board to the Successor Agency of
6 the City of Long Beach ("Oversight Board") finds that those loans were for legitimate
7 redevelopment purposes;

8 NOW, THEREFORE, the Oversight Board of the City of Long Beach as the
9 Successor Agency to the Redevelopment Agency of the City of Long Beach resolves as
10 follows:

11 Section 1. Find that certain agreements between the City of Long Beach
12 and the former Redevelopment Agency of the City of Long Beach were for legitimate
13 redevelopment purposes.

14 Section 2. Approve the repayment schedule attached as Exhibit "A" for
15 those agreements.

16 Section 3. This resolution shall take effect immediately upon its adoption
17 by the Oversight Board, and the City Clerk shall certify the vote adopting this resolution.

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PASSED, APPROVED, and ADOPTED at a meeting of the Oversight Board
of the City of Long Beach as the Successor Agency to the Redevelopment Agency of the
City of Long Beach held this 27th day of January, 2016 by the following vote:

Ayes:

Noes:

Absent:

Chairperson, Oversight Board

APPROVED:

Secretary, Oversight Board

EXHIBIT "A"
REPAYMENT SCHEDULE

City's Fiscal Year/ ROPS Period	Payments Completed	Payment Request Based on Actual Residuals	Payment Based on Estimated Residuals*	Balance
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