

# CITY OF LONG BEACH

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

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January 26, 2016

SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY  
OF THE CITY OF LONG BEACH  
City of Long Beach  
California

## RECOMMENDATION:

Request the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Long Beach find 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. (Citywide)

## 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

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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.

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.

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).

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 11, 2016 and by Budget Management Officer Victoria Bell on December 30, 2015.

TIMING CONSIDERATIONS

Successor Agency approval is requested, on January 26, 2016, to allow for submittal to the Oversight Board on January 27, 2016, and to the California Department of Finance for final approval.

FISCAL IMPACT

Repayments to the City will come from property taxes in the Redevelopment Property Tax Trust Fund administered by the County Auditor-Controller, which will satisfy amounts owed to the General Fund.

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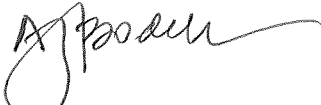
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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



AMY J. BODEK, AICP  
DIRECTOR OF DEVELOPMENT SERVICES



PATRICK H. WEST  
CITY MANAGER

PHW:AJB:LAF

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