

RESOLUTION NO. OB 2017-04

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE LA MESA COMMUNITY REDEVELOPMENT AGENCY FINDING THAT THE LOAN MADE BY THE CITY OF LA MESA TO THE FORMER LA MESA COMMUNITY REDEVELOPMENT AGENCY FOR THE PURCHASE OF REAL PROPERTY TO BE DEVELOPED WITH LOW AND MODERATE INCOME AFFORDABLE HOUSING WAS FOR LEGITIMATE REDEVELOPMENT PURPOSES, APPROVING THE LOAN AS AN ENFORCEABLE OBLIGATION AND THE SCHEDULE FOR REPAYMENT OF THE REMAINING PRINCIPAL BALANCE OF THE LOAN TOTALING \$6,000,000 BY THE SUCCESSOR AGENCY TO THE CITY OF LA MESA, AND APPROVING RELATED ACTIONS

WHEREAS, the La Mesa Community Redevelopment Agency ("Redevelopment Agency") was a redevelopment agency in the City of La Mesa ("City"), duly created pursuant to the California Community Redevelopment Law (Part 1 (commencing with Section 33000) of Division 24 of the California Health and Safety Code) ("Redevelopment Law");

WHEREAS, Assembly Bill No. X1 26 (2011-2012 1st Ex. Sess.) ("AB 26") was signed by the Governor of California on June 28, 2011, making certain changes to the Redevelopment Law and to the California Health and Safety Code ("H&S Code"), including adding Part 1.8 (commencing with Section 34161) ("Part 1.8") and Part 1.85 (commencing with Section 34170) ("Part 1.85") to Division 24 of the H&S Code;

WHEREAS, pursuant to AB 26, as modified by the California Supreme Court on December 29, 2011 by its decision in California Redevelopment Association v. Matosantos, all California redevelopment agencies, including the Redevelopment Agency, were dissolved on February 1, 2012, and successor agencies were designated and vested with the responsibility of paying, performing and enforcing the enforceable obligations of the former redevelopment agencies and expeditiously winding down the business and fiscal affairs of the former redevelopment agencies;

WHEREAS, the City Council of the City adopted Resolution No. 2012-005 on January 10, 2012, pursuant to Part 1.85 of AB 26, electing for the City to serve as the successor agency to the Redevelopment Agency upon the dissolution of the Redevelopment Agency on February 1, 2012 under AB 26 ("Successor Agency"), and electing for the City to retain the responsibility for performing housing functions of the Redevelopment Agency upon the dissolution of the Redevelopment Agency on February 1, 2012 under AB 26 ("Successor Housing Entity");

WHEREAS, on February 1, 2012, the Redevelopment Agency was dissolved by operation of law and the Successor Agency and Successor Housing Entity were established pursuant to AB 26;

WHEREAS, AB 26 has since been amended by various assembly and senate bills enacted and signed by the Governor. AB 26 as amended is hereinafter referred to as the "Dissolution Law";

WHEREAS, H&S Code Section 34179 of the Dissolution Law establishes a seven (7) member local entity with respect to each successor agency and such entity is titled the "oversight board." The oversight board has been established for the Successor Agency (hereinafter referred to as the "Oversight Board") and all seven (7) members have been appointed to the Oversight Board pursuant to H&S Code Section 34179 of the Dissolution Law. The duties and responsibilities of the Oversight Board are primarily set forth in H&S Code Sections 34179 through 34181 of the Dissolution Law;

WHEREAS, on July 16, 2013, the California Department of Finance ("Department of Finance") issued the Finding of Completion to the Successor Agency pursuant to H&S Code Section 34179.7 of the Dissolution Law;

WHEREAS, prior to the enactment of the Dissolution Law, and pursuant to Resolution No. 361-RA and Resolution No. 2008-140, on November 25, 2008, the Board of Directors of the Redevelopment Agency and the City Council of the City approved, and entered into, a Purchase and Sale Agreement ("Agreement") whereby the Redevelopment Agency agreed to purchase certain real property located at 8181 Allison Avenue, La Mesa, California, more commonly known as the "Old Police Station site" ("Site"), from the City for Eight Million Three Hundred Fifty Thousand Dollars and Zero Cents (\$8,350,000.00) ("Purchase Price") using Redevelopment Agency housing set-aside funds from the Low and Moderate Income Housing Fund ("RDA Housing Fund") for the purpose of developing a project that would include low and moderate income affordable housing. The Purchase Price was to be paid in accordance with a Promissory Note ("Note") executed by the Redevelopment Agency for the benefit to the City in furtherance of the Agreement in the amount of the Purchase Price, without applicable interest;

WHEREAS, a Quitclaim Deed transferring the Site from the City to the Redevelopment Agency was executed by the City and the Redevelopment Agency and recorded with the San Diego County Recorder's Office on December 11, 2008;

WHEREAS, between December 10, 2008 and 2011, the former Redevelopment Agency paid to the City a total of Two Million Three Hundred Fifty Thousand Dollars and Zero Cents (\$2,350,000.00) using funds from the RDA Housing Fund toward payment of the Purchase Price;

WHEREAS, on August 30, 2012, the Department of Finance approved the Site as constituting a housing asset of the City serving as the Successor Housing Entity as identified on the Housing Asset Transfer Form submitted and reviewed pursuant to H&S Section 34176(a)(2) of the Dissolution Law;

WHEREAS, on January 29, 2014, the Department of Finance approved Oversight Board Resolution No. OB 2013-014 and the transfer of the Site to the City serving as the Successor Housing Entity as a housing asset pursuant to the Dissolution Law;

WHEREAS, pursuant to H&S Code Section 34191.4(b)(1) of the Dissolution Law, after the Successor Agency receives its Finding of Completion and upon application by the Successor Agency and approval of the Oversight Board, loan agreements entered into between the former Redevelopment Agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes. Upon the Oversight Board's approval and making of the required finding, the loan is deemed an enforceable obligation, and may be listed on a Recognized Obligation Payment Schedule ("ROPS") for repayment and repaid by the Successor Agency from funds held in the Redevelopment Property Tax Trust Fund ("RPTTF") subject to the repayment terms and conditions specified in H&S Code Section 34191.4(b)(3);

WHEREAS, H&S Code Section 34191.4(b)(2)(B) of the Dissolution Law expressly describes one of the types of loan agreements permissible for repayment under the Dissolution Law, as an agreement between the former Redevelopment Agency and the City under which the City transferred a real property interest to the former Redevelopment Agency for use by the former Redevelopment Agency for a lawful purpose and the former Redevelopment Agency was obligated to pay the City for the real property interest. The subject Agreement, Note, and purchase and sale of the Site in this matter for an affordable housing development fall squarely within this statutory definition as a permissible loan agreement to be repaid pursuant to the Dissolution Law;

WHEREAS, the loan in the amount of the Purchase Price provided by the City to the former Redevelopment Agency was made for the purpose of assisting the Redevelopment Agency's acquisition of the Site for development of low and moderate income affordable housing to serve the community of La Mesa. The lack of affordable housing is of primary concern in the State of California and the development of low and moderate income housing projects is highly desired and encouraged. Thus, the loan in the amount of the Purchase Price provided by the City to the former Redevelopment Agency was made for legitimate redevelopment purposes and furthered the stated goals of the Redevelopment Law;

WHEREAS, to date, the remaining principal balance of the Purchase Price owed to the City totals Six Million Dollars and Zero Cents (\$6,000,000.00) which amount does not include any interest;

WHEREAS, pursuant to H&S Code Section 34191.4(b)(3) of the Dissolution Law, repayment of the loan shall be in accordance with a defined schedule over a reasonable term of years and the annual loan repayments provided for in the ROPS shall be subject to all of the following limitations: (a) beginning in the 2013-2014 fiscal year, the

maximum repayment amount authorized each fiscal year for repayments made pursuant to H&S Code Section 34191.4(b) and H&S Code Section 34176(e)(6) combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to H&S Code Section 34183(a)(4) in that fiscal year and the amount distributed to taxing entities pursuant to H&S Code Section 34183(a)(4) in the 2012-2013 base year, and loan or deferral repayments pursuant to H&S Code Section 34176(e)(6) shall take priority over loan repayments pursuant to Section 34191.4(b) of the Dissolution Law; and (b) twenty percent (20%) of the loan repayments shall be deducted from the loan repayment amount and shall be transferred to the Successor Housing Entity's Low and Moderate Income Housing Asset Fund ("Housing Asset Fund");

WHEREAS, subject to the limitations set forth in H&S Code Section 34191.4(b)(3) of the Dissolution Law, the Successor Agency desires to repay the remaining principal balance of the Purchase Price totaling Six Million Dollars and Zero Cents (\$6,000,000.00) in the maximum amounts allowed on each ROPS under the Dissolution Law. While the Note includes a schedule of fiscal year minimum payments of the Purchase Price, all such payments were required by the Note to have been made to the City within a ten (10) year period with the final payment to have been made in fiscal year 2018-2019, and the Note expressly allows for payments that are greater than the minimum scheduled payments. Thus, the entire remaining principal balance of the Purchase Price is currently due and owing to the City;

WHEREAS, at the Successor Agency meeting conducted on November 28, 2017, the Board of Directors of the Successor Agency approved a Resolution finding, and recommending to its Oversight Board that the Oversight Board find, that the loan made by the City of La Mesa to the former La Mesa Community Redevelopment Agency for the purchase of real property to be developed with low and moderate income affordable housing was for legitimate redevelopment purposes, approving the loan as an enforceable obligation and the schedule for repayment of the remaining principal balance of the loan totaling \$6,000,000 by the Successor Agency to the City of La Mesa, and approving related actions;

WHEREAS, upon approval of the Successor Agency's payment to the City of the remaining principal balance of the Purchase Price totaling Six Million Dollars and Zero Cents (\$6,000,000.00) by the Oversight Board and the Department of Finance (if review is requested by the Department of Finance), and upon the Oversight Board making a finding that the loan in the amount of the Purchase Price was for legitimate redevelopment purposes, the Successor Agency will seek payment of the remaining principal balance of the Purchase Price totaling Six Million Dollars and Zero Cents (\$6,000,000.00) on the Successor Agency's ROPS for payment with funds from the RPTTF in accordance with the maximum amounts allowed under the Dissolution Law including H&S Code Section 34191.4(b)(3); and

WHEREAS, all of the prerequisites with respect to the approval of this Resolution have been met.

NOW, THEREFORE, the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency does hereby resolve as follows:

Section 1. The Oversight Board determines that the foregoing recitals are true and correct and are a substantive part of this Resolution.

Section 2. The Oversight Board finds, pursuant to H&S Code Section 34191.4(b)(1) of the Dissolution Law, that the loan in the amount of the Purchase Price provided by the City to the former Redevelopment Agency as described in the above Recitals was made for legitimate redevelopment purposes by assisting with the Redevelopment Agency's acquisition of the Site for development of low and moderate income affordable housing to serve the community of La Mesa and furthered the stated goals of the Redevelopment Law.

Section 3. The Oversight Board approves the loan in the amount of the Purchase Price provided by the City to the former Redevelopment Agency as described in the above Recitals as an enforceable obligation of the Successor Agency and approves the repayment of the remaining principal balance of the Purchase Price totaling Six Million Dollars and Zero Cents (\$6,000,000.00) from RPTTF as an enforceable obligation to be listed on successive ROPS for repayment consistent and in accordance with the maximum repayment amounts specified in the Dissolution Law including H&S Code Section 34191.4(b)(3) until the loan is repaid in full, subject to other applicable loan repayment terms and conditions set forth in H&S Code Section 34191.4(b)(3).

Section 4. The Oversight Board authorizes and directs the Executive Director, or designee, of the Successor Agency to (i) include the repayment of the remaining principal balance of the Purchase Price totaling Six Million Dollars and Zero Cents (\$6,000,000.00) on successive ROPS as an enforceable obligation for repayment from RPTTF consistent and in accordance with the maximum repayment amounts specified in the Dissolution Law including H&S Code Section 34191.4(b)(3) until the loan is repaid in full, and to comply with all other applicable loan repayment terms and conditions set forth in H&S Code Section 34191.4(b)(3); (ii) provide such notifications as required by the Dissolution Law; and (iii) take such other actions and execute such other documents as are necessary or desirable to effectuate the intent of this Resolution on behalf of the Oversight Board.

Section 5. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that it would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Section 6. This Resolution shall take effect immediately upon its adoption and is subject to review by the Department of Finance in accordance with H&S Code

Section 34179(h) of the Dissolution Law.

PASSED AND ADOPTED at a meeting of the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency held on the 7th day of December 2017, by the following vote, to wit:

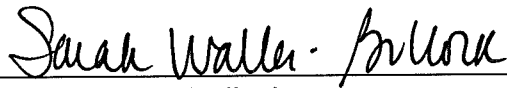
AYES: Adams, Ayres, Patterson, Rearic, Fazio, South, Gonzales

NOES: None

ABSENT: None:

CERTIFICATE OF SECRETARY

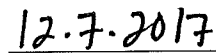
I, SARAH WALLER-BULLOCK, Secretary of the Successor Agency to the La Mesa Community Redevelopment Agency, do hereby certify the foregoing to be a true and exact copy of Resolution No. OB 2017-04, duly passed and adopted by the Oversight Board of the Successor Agency to the La Mesa Community Redevelopment Agency on the date and by the vote therein recited.



Sarah Waller-Bullock

Secretary

Oversight Board of the Successor Agency to the
La Mesa Community Redevelopment Agency



Date