

# NOTICE OF SPECIAL MEETING

Pursuant to Section 54956 of the Government Code of the State of California, a Special meeting of the **Oversight Board to the Successor Agency of the City of Tracy Community Development Agency** is hereby called for:

**Date/Time:** Tuesday, July 11, 2017, 3:30 p.m.  
(or as soon thereafter as possible)

**Location:** City Council Chambers, City Hall  
333 Civic Center Plaza, Tracy, CA. 95376

Government Code Section 54954.3 states that every public meeting shall provide an opportunity for the public to address the Oversight Board to the Successor Agency of the City of Tracy Community Development Agency on any item, before or during consideration of the item, however no action shall be taken on any item not on the agenda.

1. CALL TO ORDER
2. ROLL CALL
3. ITEMS FROM THE AUDIENCE - *In accordance with Procedures for Preparation, Posting and Distribution of Agendas and the Conduct of Public Meetings, adopted by Resolution 2015-052 any item not on the agenda brought up by the public at a meeting, shall be automatically referred to staff. If staff is not able to resolve the matter satisfactorily, the member of the public may request a Board Member to sponsor the item for discussion at a future meeting.*
4. APPROVAL OF FEBRUARY 7, 2017, MINUTES
5. ADOPT A RESOLUTION APPROVING A BOND PROCEEDS EXPENDITURE AGREEMENT BETWEEN THE CITY OF TRACY AND THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY
6. OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A SERAF LOAN OWED TO THE CITY'S LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34171 (d)(1)(G)
7. BOARD MEMBER ITEMS
8. ADJOURNMENT

**Date Posted: July 6, 2017**

The City of Tracy complies with the Americans with Disabilities Act and makes all reasonable accommodations for the disabled to participate in public meetings. Persons requiring assistance or auxiliary aids in order to participate should call City Hall (209-831-6000), at least 24 hours prior to the meeting.

Any materials distributed to the majority of the Oversight Board to the Successor Agency of the City of Tracy Community Development Agency regarding any item on this agenda will be made available for public inspection in the City Clerk's office located at 333 Civic Center Plaza, Tracy, during normal business hours.

OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF TRACY  
COMMUNITY DEVELOPMENT AGENCY

REGULAR MEETING MINUTES

**February 7, 2017, 3:30 p.m.**

City Council Chambers, 333 Civic Center Plaza

Web Site: [www.ci.tracy.ca.us](http://www.ci.tracy.ca.us)

1. CALL TO ORDER – Chair Sensibaugh called the meeting to order at 3:30 p.m.
2. ROLL CALL - Roll call found Board Members Harb, Khan, Menge, Thomas and Chair Sensibaugh present. Board Members Rickman and Meeker absent. Also present were Robert Harmon, Senior Accountant, and Adrienne Richardson, Recording Secretary.
3. ITEMS FROM THE AUDIENCE – None
4. APPROVAL OF MINUTES – It was moved by Board Member Thomas and seconded by Board Member Khan to approve the regular meeting minutes of February 2, 2016. Voice vote found Board Members Khan, Menge, Thomas and Chair Sensibaugh in favor. Board Member Harb abstained. Board Members Rickman and Meeker absent.
5. APPROVE THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS)  
Robert Harmon, Senior Accountant provided the staff report. The City of Tracy has elected to act as the Successor Agency for the former City of Tracy Community Development Agency following the dissolution of redevelopment agencies by the California State Legislature in February 2012. The Successor Agency previously approved an Enforceable Obligation Payment Schedule (EOPS) which listed various financial obligations of the City's former CDA including required payments on existing bonds, bond trustee costs and other obligations. The EOPS, once recognized by the state, became the basis for the ROPS. Beginning in 2016, the law now requires that successor agencies adopt an annual ROPS that lists all enforceable obligations proposed for payment in the subsequent fiscal year. Funds once received by the CDA, now held in the Redevelopment Property Tax Trust Fund (RPTTF), are used to cover the ROPS. Any excess funds remaining in the RPTTF are then disbursed to the other taxing agencies (e.g. schools, special districts, city and county) who would have otherwise received the property taxes had the CDA not existed. Funds are disbursed on a pro-rata basis with the City of Tracy receiving approximately 17% of the remaining RPTTF.

The maximum administrative cost allowance (ACA) and associated expense is \$250,000 annually; however only actual administrative costs and expenses are reimbursable. The ACA request has been lowered to reflect the conclusion of legal proceedings and the wind-down of activities. All funding is subject to the availability of RPTTF funds during the ROPS period.

The ROPS also requests RPTTF funding for two additional obligations: (1) the recent conclusion of litigation between the Successor Agency and the Department of Finance in which the 3rd District Court of Appeals awarded the City \$911,495 in reimbursement for City charges to the Downtown Plaza redevelopment project, and (2) the initial installment of the repayment of the Supplemental Education Revenue Augmentation Fund (SERAF) loan between the Successor Agency and the City of Tracy.

This ROPS also includes a request to transfer \$2,126,315 in unspent bond proceeds from the Successor Agency to the City of Tracy. In 2008, and prior to the dissolution of the CDA, the agency had issued Lease Revenue bonds in conjunction with the City. The CDA's share of the bonds were to be used for projects and infrastructure within the redevelopment area. With the dissolution in 2012, these funds were frozen pending further action from the state legislature. In September 2015, the legislature passed SB107 which allowed the Successor Agency to utilize unspent bonds proceeds for their original purpose. With the completion of litigation with the State Department of Finance, these proceeds are now available to the Successor Agency. Additionally, bond covenants require that these funds be used expeditiously and for projects within the redevelopment area.

The Successor Agency desires to transfer these unspent bond proceeds to the City to enable the City to use them in a manner consistent with the original bond covenants and to undertake projects that were not previously funded and obligated by the Successor Agency to advance the City's community development goals. These projects within the former redevelopment area include but are not limited to: street, curb, gutter and sidewalk, and Americans with Disabilities Act (ADA) compliance improvements, wet utilities, pedestrian and bicycle paths, public parks or other public facilities consistent with the purposes for which the bonds were issued.

This transfer will require future approval by the Oversight Board, City of Tracy, the Successor Agency, and the Department of Finance; however, since the ROPS is an annual request, this serves as a placeholder pending further action. City and Successor This ROPS was approved by the Successor Agency on January 17, 2017.

Board Member comments and questions followed.

Motion was made by Board Member Khan and seconded by Board Member Thomas to adopt Resolution OB2017-001, a Resolution of the Oversight Board of the Successor Agency to the Tracy Community Development Agency approving the Recognized Obligation Payment Schedule. Voice vote found Board Members Harb, Khan, Menge, Thomas and Chair Sensibaugh in favor; passed and so ordered. Board Members Rickman and Meeker absent.

6. ITEMS FROM THE AUDIENCE - None
7. BOARD MEMBER ITEMS – None
8. ADJOURNMENT: Motion was moved by Board Member Khan and seconded by Board Member Thomas to adjourn at 3:51 p.m. Voice vote found Board Members Harb, Khan, Menge, Thomas and Chair Sensibaugh in favor; passed and so ordered. Board Members Rickman and Meeker absent.

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Chair

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Successor Agency Secretary

AGENDA ITEM 5

REQUEST

**ADOPT A RESOLUTION APPROVING A BOND PROCEEDS EXPENDITURE AGREEMENT BETWEEN THE CITY OF TRACY AND THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY**

EXECUTIVE SUMMARY

The State of California dissolved Redevelopment Agencies on February 1, 2012. At the time of dissolution, there was \$2,126,315 in unspent bond proceeds from bonds issued by the CDA. These unspent bond funds, along with other assets, had been transferred to the City of Tracy; however, in April 2013, the California Department of Finance (DOF) ordered these assets returned to the Successor Agency to the Community Development Agency of the City of Tracy (Successor Agency). Under the provisions of AB 1484 (2012), these funds were frozen until the Successor Agency received a Finding of Completion from the DOF; which was received in December 2015. Since the Successor Agency lacks the resources to perform capital improvement projects, the transfer of these funds to the City will allow infrastructure and/or capital improvements projects to be carried out for the benefit of the former redevelopment project area in the most efficient and expedient manner. This agreement was approved by the City of Tracy and the Successor Agency on June 20, 2017. The Oversight Board is required to review all actions taken by the Successor Agency.

DISCUSSION

Background

Effective February 1, 2012, the State of California dissolved redevelopment agencies through the passage of Assembly Bill X1 26 (2011) and replaced them with successor agencies responsible for the wind-down of the former redevelopment agencies. The City of Tracy City Council elected to serve as the successor agency to the former Community Development Agency of the City of Tracy (CDA). The actions of the Successor Agency are subject to approval of an Oversight Board. The Oversight Board is comprised of representatives of the other governmental entities that receive a share of the property tax revenues generated in the former Redevelopment Project Areas. The actions of the Oversight Board are subject to approval of the California Department of Finance (DOF).

AB 1484 (2012) made substantive changes to the dissolution process, including establishing the process for expending funds frozen by AB X1 26 (2011). This process required that the Successor Agency obtain a "Finding of Completion" from the DOF. In addition, prior to spending any Bond Proceeds, they must first be listed on the Recognized Obligations Payment Schedule (ROPS) and receive approval by the Oversight Board and the DOF.

On March 8, 2011, the CDA transferred all properties it held to the City. In December 2014, the State Controller's Office (SCO) conducted a review of all transactions between January 1, 2011 and January 31, 2012 and deemed the transfer of these assets to be in violation of Health and Safety (H&S) Code section 34167.5. The SCO ordered that the assets should be turned over to the Successor Agency for disposition in accordance with

H&S Code section 34177 (d) and (e). These assets were subsequently returned. The SCO's findings were challenged by the City through legal processes; however, the 3rd District Court of Appeals upheld most of the SCO's findings and \$2,126,315 in unspent bond proceeds were returned to the Successor Agency in December 2015. The Successor Agency received a Finding of Completion later that month.

#### Analysis

Proceeds from the issuance of bonds must legally be spent according to the original bond covenants regardless of which agency administers the spending plan. The covenants of these bond proceeds require they be used to fund projects that are for the benefit to the former Agency's project areas including infrastructure and/or other capital improvements within the former redevelopment area including but not limited to: street, curb, gutter and sidewalk, Americans with Disabilities Act (ADA), wet utilities, pedestrian and bicycle paths, public parks or other public facilities. Furthermore, funds need to be spent within a reasonable time of the issuance of the bonds.

The former CDA had adopted the Community Redevelopment Plan (Redevelopment Plan) pursuant to Section 33490 of the Redevelopment Law. The Redevelopment Plan called for the Agency to fund certain public improvements to encourage private sector investment in the former project area or to eliminate blight. The City is much better equipped to cause the installation of such public improvements; therefore, the Agency and the City entered into an agreement whereby the former CDA would fund and the City would design and construct various elements of the public improvements and facilities to be owned by the City. Most elements of this plan were put on hold with the dissolution of the CDA; however, \$2,126,315 in unspent bond proceeds is now available to complete certain elements of the plan. The Development Services department will be working in conjunction with the City Manager's Office to determine which elements of the plan will be completed.

The Bond Proceeds Expenditure Agreement (Agreement) recognizes that the Successor Agency lacks the resources to make improvements to the former project area while the City is better equipped to make these improvements. The Agreement transfers the unspent bond proceeds from the Successor Agency to the City and requires the City adhere to the original bond covenants including using the funds for infrastructure and/or improvements within the former redevelopment project area.

Any action by the Successor Agency is subject to final review and action by the Oversight Board. The City Council and the Successor Agency approved this agreement on June 20, 2017. Pursuant to H&S Code Section 34179(h), written notice about the approval of this Agreement by the Oversight Board must be provided to the DOF and this Agreement becomes effective five (5) business days after notice has been provided to the DOF, pending a request for review by the DOF. Funding of this agreement on the ROPS has been tentatively approved by the DOF subject to Oversight Board approval and review by the DOF.

#### FISCAL IMPACT

The City's Capital Improvement Funds will have restricted access to \$2,126,315 for use in projects that benefit the former redevelopment area to complete certain elements of

the CDA plan. The City's Development Services department will be working in conjunction with the City Manager's Office to determine which elements of the plan will be completed and will return to the City Council with recommendations for use of the funds.

RECOMMENDATION

It is recommended that the Oversight Board adopt a resolution approving the Bond Proceeds Expenditure Agreement between the City of Tracy and the Successor Agency to the Community Development Agency of the City of Tracy.

Prepared by: Robert Harmon, Senior Accountant

Reviewed by: Karin Schnaider, Finance Director

Stephanie Garrabrant-Sierra, Assistant City Manager

Approved by: Troy Brown, City Manager

ATTACHMENTS

Attachment A – Bond Proceeds Expenditure Agreement

**BOND PROCEEDS EXPENDITURE AGREEMENT**

This BOND PROCEEDS EXPENDITURE AGREEMENT ("Agreement") is entered into as of June 20, 2017, by and between the City of Tracy, a municipal corporation (the "City"), and the Successor Agency to the Community Development Agency of the City of Tracy ("Successor Agency").

**RECITALS**

WHEREAS, under AB 1484, the Successor Agency has the authority to designate the use of remaining unspent bond proceeds that are not already committed to an enforceable obligation listed on an approved Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, on January 17, 2012, pursuant to Resolution No.2012-021, the City of Tracy elected to become the Successor Agency to the former Community Development Agency of the City of Tracy (the "Former Agency") upon dissolution on February 1, 2012; and

WHEREAS, An oversight board ("Oversight Board") to oversee the actions of the Successor Agency and its efforts to wind down the affairs of the Former Agency has been created in accordance with Health and Safety Code Section 34179; and

WHEREAS, section 34191.4(c)(1) of the Dissolution Act allows a successor agency that has received a finding of completion to use bond proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were sold. Section 34191.4(c)(1) provides that bond proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute "excess bond proceeds obligations" that shall be listed separately on the Successor Agency's ROPS; and

WHEREAS, the Successor Agency has on deposit Two Million One Hundred Twenty-Six Thousand Three Hundred Fifteen Dollars (\$2,126,315) of restricted bond proceeds from bonds issued 2003 Tax Allocation Bonds ("Excess Bond Proceeds"); and

WHEREAS, the Successor Agency desires to transfer its Excess Bond Proceeds to the City to enable the City to use such Excess Bond Proceeds in a manner consistent with the original bond covenants and to undertake projects that were not previously funded and obligated by the Successor Agency. The City has adopted a spending plan for using such Excess Bond Proceeds ("Bond Spending Plan") to advance the City's community development goals. The City Council and Successor Agency Board have found that the use of Excess Bond Proceeds in accordance with the Bond Spending Plan to fund projects that are of benefit to the Former Agency's project areas including infrastructure and/or other capital improvements within the former redevelopment area including but not limited to: street, curb, gutter and sidewalk, Americans with Disabilities Act (ADA), wet utilities, pedestrian and bicycle paths, public parks

## Attachment A

or other public facilities is consistent with the purposes for which the bonds were issued and the bond covenants and in the best interest of the Successor Agency.

WHEREAS, In order to facilitate the use of Excess Bond Proceeds consistent with all applicable bond covenants, the Successor Agency and the City have negotiated this Agreement requiring the transfer of current and future excess bond proceeds by the Successor Agency to the City, and the City's use of such proceeds consistent with all applicable bond covenants. The parties intend that this Agreement shall constitute an excess bond proceeds obligation within the meaning of Health and Safety Code Section 34191.4(c)(1)(A) to be paid from Excess Bond Proceeds. With Oversight Board approval, the Successor Agency will list this Agreement, and the requirement to transfer excess bond proceeds herein, on the ROPS 17-18, as an obligation to be funded with Excess Bond Proceeds and if the ROPS is not approved by the Department of Finance, the Successor Agency will continue to list this Agreement on subsequent ROPS until approved by the California State Department of Finance; and

WHEREAS, pursuant to Health & Safety Code Section 34179(h), written notice about the approval of this Agreement by the Oversight Board is provided to the Department of Finance (DOF) and this Agreement becomes effective five (5) business days after notice has been provided to the DOF, pending a request for review by the DOF.

**NOW, THEREFORE**, in consideration of the promises and the mutual agreements herein contained, the parties hereto do hereby agree as follows. The foregoing recitals are hereby incorporated by reference and made part of this Agreement.

### **ARTICLE 1.** **SUCCESSOR AGENCY OBLIGATIONS**

**Section 1.1 Current Excess Bond Proceeds.** The Successor Agency shall transfer to the City, no later than July 2, 2017, or as soon as administratively feasible thereafter, the Excess Bond Proceeds currently held by the Successor Agency in an amount not to exceed Two Million One Hundred Twenty-Six Thousand Three Hundred Fifteen Dollars (\$2,126,315).

**Section 1.2 Future Excess Bond Proceeds.** The Successor Agency shall transfer to the City all future Excess Bond Proceeds held or received by the Successor Agency. Such future Excess Bond Proceeds shall include, without limitation: (a) bond proceeds previously obligated to a project or other enforceable obligation that become unobligated for any reason; (b) bond proceeds that become available in the form of rents, sale proceeds, loan repayments, or other revenues that are generated by properties or other assets acquired and/or improved with bond proceeds and that are not otherwise obligated to a project or other enforceable obligation; and (c) any other funds held by the Successor Agency that qualify as Excess Bond Proceeds under this Agreement.

The parties intend that payments of future Excess Bond Proceeds be made to the City as soon as possible after such Excess Bond Proceeds become available. The transfer of future Excess Bond Proceeds to the City shall be made pursuant to an approved ROPS



## Attachment A

within thirty (30) days of the commencement of the relevant ROPS period or in the event of an amendment to a ROPS, within thirty (30) days of approval of the amendment by the Department of Finance. The Successor Agency shall be responsible for ensuring that payments of future Excess Bond Proceeds to the City, as such funds become available, are included on the next possible ROPS.

**Section 1.3 Projects Funded by Excess Bond Proceeds.** The Successor Agency assigns to the City all responsibilities in relation to the administration of any projects or programs funded by Excess Bond Proceeds. The Successor Agency assigns to the City all contracts entered into by the Successor Agency or the former Agency related to the expenditure of Excess Bond Proceeds and any activities to be funded by Excess Bond Proceeds, with the exception of those contracts relating to enforceable obligations, which shall be retained by the Successor Agency.

### **ARTICLE 2.** **CITY OBLIGATIONS**

**Section 2.1 Excess Bond Proceeds.** The City shall accept, hold, and disburse Excess Bond Proceeds transferred to the City by the Successor Agency under this Agreement, including current Excess Bond Proceeds and future Excess Bond Proceeds. The City shall retain any Excess Bond Proceeds that it receives, without any obligation to return such funds to the Successor Agency, and shall use such funds for uses consistent with applicable bond covenants.

The City may spend Excess Bond Proceeds received or retained under this Agreement on any project, program, or activity authorized under the Bond Spending Plan. Notwithstanding anything to the contrary in this Agreement or the Bond Spending Plan, the City shall spend Excess Bond Proceeds consistent with the original bond covenants applicable to the particular Excess Bond Proceeds. The City shall be solely responsible for ensuring that Excess Bond Proceeds are maintained and spent in accordance with bond covenants and other applicable laws. The City may transfer funds between approved projects, programs and activities.

The City hereby assumes all contracts entered into by the Successor Agency or the former Agency related to the expenditure of Excess Bond Proceeds and any activities to be funded by Excess Bond Proceeds, with the exception of those contracts relating to enforceable obligations, which shall be retained by the Successor Agency. The City shall perform its obligations hereunder, and under such assumed contracts, in accordance with the applicable provisions of federal, state and local laws, including the obligation to comply with environmental laws such as CEQA, and shall timely complete the work required for each project commenced by the City pursuant to this Agreement and the Bond Spending Plan.

**Section 2.2 Bond Spending Plan.** The City shall be solely responsible for maintaining and implementing the Bond Spending Plan. The City may amend the Bond Spending Plan as the City deems necessary in its sole discretion. Any amendments to the

adopted Bond Spending Plan will consider uses that advance the City's community development goals while maximizing fiscal and social benefits flowing to the taxing entities from successful development. Notwithstanding any contrary provision hereof, unless the City expressly agrees otherwise, the City shall not be obligated to provide funding for any program or project in an amount exceeding the Excess Bond Proceeds provided to the City pursuant to this Agreement.

**ARTICLE 3.**  
**MISCELLANEOUS**

**Section 3.1 Entire Agreement.** This Agreement constitutes the entire understanding and agreement of the parties with respect to the transfer and use of Excess Bond Proceeds. This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the parties with respect to the subject matter of this.

**Section 3.2 No Third Party Beneficiaries.** This Agreement is intended solely for the benefit of the City and the Successor Agency. Notwithstanding any reference in this Agreement to persons or entities other than the City and the Successor Agency, there shall be no third party beneficiaries under this Agreement.

**Section 3.3 Waivers.** All waivers of the provisions of this Agreement and all amendments to this Agreement must be in writing and signed by the authorized representatives of the parties.

**Section 3.4 Severability.** If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions shall continue in full force and effect unless the rights and obligations of the parties have been materially altered or abridged by such invalidation, voiding or unenforceability. In addition, the parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

**Section 3.5 Default.** If either party fails to adequately perform an obligation required by this Agreement within thirty (30) calendar days of receiving written notice from the non-defaulting party, the party failing to perform shall be in default hereunder. In the event of default, the non-defaulting party will have all the rights and remedies available to it at law or in equity to enforce the provisions of this contract, including without limitation the right to sue for damages for breach of contract or to seek specific performance. The rights and remedies of the non-defaulting party enumerated in this paragraph are cumulative and shall not limit the non-defaulting party's rights under any other provision of this Agreement, or otherwise waive or deny any right or remedy, at law or in equity, existing as of the date of the Agreement or hereinafter enacted or established, that may be available to the non-defaulting party against the defaulting party.

**Section 3.6 Effectiveness of Agreement.** This Agreement shall become effective only upon approval of this Agreement and direction by the Oversight Board for the Successor Agency to execute and implement this Agreement, pursuant to Health and Safety Code Section 34180(h) and Section 34191.4(c)(1)(A)(the "Oversight Board Action").

**Section 3.7 Notification to Department of Finance.** A notification of the Oversight Board Action shall be given in accordance with the provisions of Health and Safety Code Section 34179(h). Pursuant to Health and Safety Code Section 34191.4(c)(1)(A), the expenditure of bond proceeds pursuant to this Agreement shall only require the approval by the Oversight Board.

**Section 3.8 Binding on Successors.** This Agreement shall be binding on and shall inure to the benefit of all successors and assigns of the parties, whether by agreement or operation of law.

**Section 3.9 Further Assurances.** Each party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the intent of this Agreement.

**[Signature Page Follows]**

Attachment A

**IN WITNESS WHEREOF**, the City of Tracy and the Successor Agency have caused this Agreement to be signed by their respective officers.

**CITY OF TRACY, a California municipal corporation**

\_\_\_\_\_  
Troy Brown, City Manager

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Bill Sartor, City Attorney

**SUCCESSOR AGENCY TO THE  
COMMUNITY DEVELOPMENT AGENCY  
OF THE CITY OF TRACY, a separate entity**

\_\_\_\_\_  
Troy Brown, Executive Director

Date: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Bill Sartor, Successor Agency Counsel

RESOLUTION \_\_\_\_\_

**RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE TRACY COMMUNITY DEVELOPMENT AGENCY APPROVING THE BOND PROCEEDS EXPENDITURE AGREEMENT BETWEEN THE CITY OF TRACY AND THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY**

WHEREAS, under AB 1484, the Successor Agency has the authority to designate the use of remaining unspent bond proceeds that are not already committed to an enforceable obligation listed on an approved Recognized Obligation Payment Schedule ("ROPS"); and

WHEREAS, on January 17, 2012, pursuant to Resolution No.2012-021, the City of Tracy elected to become the Successor Agency to the former Community Development Agency of the City of Tracy (the "Former Agency") upon dissolution on February 1, 2012; and

WHEREAS, An oversight board ("Oversight Board") to oversee the actions of the Successor Agency and its efforts to wind down the affairs of the Former Agency has been created in accordance with Health and Safety Code Section 34179; and

WHEREAS, section 34191.4(c)(1) of the Dissolution Act allows a successor agency that has received a finding of completion to use bond proceeds from bonds issued prior to January 1, 2011 for the purposes for which the bonds were sold. Section 34191.4(c)(1) provides that bond proceeds in excess of amounts needed to satisfy approved enforceable obligations shall be expended in a manner consistent with the original bond covenants, and further provides that such expenditures shall constitute "excess bond proceeds obligations" that shall be listed separately on the Successor Agency's ROPS; and

WHEREAS, the Successor Agency has on deposit Two Million One Hundred Twenty-Six Thousand Three Hundred Fifteen Dollars (\$2,126,315) of restricted bond proceeds from prior bond issuances ("Excess Bond Proceeds"); and

WHEREAS, the Successor Agency desires to transfer its Excess Bond Proceeds to the City to enable the City to use such Excess Bond Proceeds in a manner consistent with the original bond covenants and to undertake projects that were not previously funded and obligated by the Successor Agency. The City has adopted a spending plan for using such Excess Bond Proceeds ("Bond Spending Plan") to advance the City's community development goals. The City Council and Successor Agency Board have found that the use of Excess Bond Proceeds in accordance with the Bond Spending Plan to fund projects that are of benefit to the Former Agency's project areas including infrastructure and/or other capital improvements within the former redevelopment area including but not limited to: street, curb, gutter and sidewalk, Americans with Disabilities Act (ADA), wet utilities, pedestrian and bicycle paths, public parks or other public facilities is consistent with the purposes for which the bonds were issued and the bond covenants and in the best interest of the Successor Agency.

WHEREAS, In order to facilitate the use of Excess Bond Proceeds consistent with all applicable bond covenants, the Successor Agency and the City have negotiated this Agreement requiring the transfer of current and future excess bond proceeds by the Successor Agency to the City, and the City's use of such proceeds consistent with all applicable bond covenants. The parties intend that this Agreement shall constitute an excess bond proceeds obligation within the meaning of Health and Safety Code Section 34191.4(c)(1)(A) to be paid from Excess Bond Proceeds. With Oversight Board approval, the Successor Agency will list this Agreement, and the requirement to transfer excess bond proceeds herein, on the ROPS 17-18, as an

obligation to be funded with Excess Bond Proceeds and if the ROPS is not approved by the Department of Finance, the Successor Agency will continue to list this Agreement on subsequent ROPS until approved by the California State Department of Finance; and

WHEREAS, The City of Tracy and the Successor Agency approved this agreement by resolution on June 20, 2017; and

WHEREAS, pursuant to Health & Safety Code Section 34179(h), written notice about the approval of this Agreement by the Oversight Board is provided to the Department of Finance (DOF) and this Agreement becomes effective five (5) business days after notice has been provided to the DOF, pending a request for review by the DOF.

WHEREAS, the accompanying staff report provides supporting information upon which the action set forth in this Resolution is based.

NOW, THEREFORE, BE IT RESOLVED, That the Oversight Board of the Successor Agency of the Tracy Community Development Agency does hereby approve the Bond Proceeds Expenditure Agreement between the City of Tracy and the Successor Agency to the Tracy Community Development Agency as approved on June 20, 2017.

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ADOPTED, July 11, 2017 by the Oversight Board of the Successor Agency to the Tracy Community Development Agency.

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Successor Agency Secretary

AGENDA ITEM 6

REQUEST

**OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A SERAF LOAN OWED TO THE CITY'S LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34171 (d)(1)(G)**

EXECUTIVE SUMMARY

The City of Tracy has elected to act as the Successor Agency for the former Community Development Agency of the City of Tracy (CDA) following the dissolution of redevelopment agencies by the California State Legislature in February 2012. The City has also elected to act as the Housing Successor and thereby receiving the Low and Moderate Housing Fund assets. During FY2009-10, the Low and Moderate Income Housing Fund (LMIHF) loaned the CDA \$2,803,520 to make special Supplemental Educational Revenue Augmentation Fund (SERAF) payments to the state. Repayment of this loan has been frozen until the Successor Agency completed certain requirements in December 2015 and concluded litigation in 2016. These funds are now eligible for repayment subject to a specific formula, available funding and approval of the annual Recognized Payment Obligation Schedule (ROPS).

DISCUSSION

Background

A law signed by the Governor July 2009 shifted redevelopment money to Supplemental Educational Revenue Augmentation Fund (SERAF) for payment to K-12 schools. Severe penalties were in place for non-payment. Since the Community Development Agency of the City of Tracy did not have the cash to make these payments, in FY09-10, the CDA borrowed from the Low and Moderate Income Housing Fund (LMIHF) with plans to repay the loan in the following years.

Effective February 1, 2012, the State of California dissolved redevelopment agencies through the passage of Assembly Bill X1 26 (2011) and replaced them with successor agencies responsible for the wind-down of the former redevelopment agencies. The City of Tracy City Council elected to serve as the successor agency to the former CDA. The City also elected to serve as the Housing Successor therefore all LMIHF assets, including the outstanding loan receivable from the CDA, were transferred to the City.

AB 1484 (2012) made substantive changes to the dissolution process, including adding back some of the affordable housing provisions including repayment of the SERAF loans to the LMIHF.

During the dissolution process, the State determined the loan was ineligible for repayment until the City received a Finding of Completion from the state Department of Finance (DOF), which was received in December 2015. Furthermore, due to ongoing litigation with the DOF, repayment eligibility was further delayed until the litigation was

concluded in 2016. This loan became eligible for repayment in FY17-18, subject to the ROPS process and an approved repayment schedule.

Analysis

SERAF repayments are subject to formula restrictions that limit the maximum repayment amount allowed each fiscal year to one-half of the increase between "the amount distributed" to the taxing entities in that fiscal year and the amount of Redevelopment Property Tax Trust Fund (RPTTF) distributed to taxing entities in the 2012-13 base year. Based on this formula, the estimated maximum installment for FY2017-18 is \$1,054,915; however, this is subject to the RPTTF actually being available for distribution by the County. In FY17-18, the City is expecting payment of \$911,495 from RPTTF from the 3<sup>rd</sup> District Court ruling which concluded the litigation between the City and the DOF.

Maximum estimated receipts are as follows:

FY17-18	\$ 1,054,915
FY18-19	\$ 1,054,915
FY19-20	\$ 693,690

This formula means that the City does not know in advance how much will be available for payment. The Department of Finance has stated that it would not oppose a repayment schedule that indicates that repayment amount for each fiscal year will be equal to the maximum amount allowed by this formula.

FISCAL IMPACT

Repayment of this loan to the Housing Successor will return a total of \$2,803,520 plus interest to the Low and Moderate Income Housing Fund for restricted use on qualifying projects. The maximum amount possible for FY17-18 is \$1,054,915.. Total collection is estimated to take three fiscal years.

RECOMMENDATION

It is recommended that the Oversight Board adopt the attached resolution approving the Successor Agency's repayment schedule of a SERAF loan owed to the City's low and moderate income housing fund.

Prepared by: Robert Harmon, Senior Accountant

Reviewed by: Karin Schnaider, Finance Director

Approved by: Troy Brown, Executive Director

ATTACHMENTS



RESOLUTION \_\_\_\_\_

**RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF TRACY APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A SERAF LOAN OWED TO THE HOUSING SUCCESSOR'S LOW AND MODERATE INCOME HOUSING FUND IN ACCORDANCE WITH HEALTH AND SAFETY CODE SECTION 34171 (d)(1)(G)**

WHEREAS, The California state legislature enacted Assembly Bill x1 26 (the "Dissolution Act") to dissolve redevelopment agencies formed under the Community Redevelopment Law (Health and Safety Code Section 33000 et seq.); and

WHEREAS, In January 2012 and pursuant to Health and Safety Code Section 34173, the City Council of the City of Tracy (the "City Council") declared that the City of Tracy, a municipal corporation (the "City"), would act as successor agency (the "Successor Agency") to the dissolved Community Development Agency of the City of Tracy (the "Former CDA") effective February 1, 2012; and

WHEREAS, On February 1, 2012, the Former CDA was dissolved pursuant to Health and Safety Code Section 34172; and

WHEREAS, The Dissolution Act provides for the appointment of an oversight board (the "Oversight Board") with specific duties to approve certain Successor Agency actions pursuant to Health and Safety Code Section 34180 and to direct the Successor Agency in certain other actions pursuant to Health and Safety Code Section 34181; and

WHEREAS, prior to its dissolution, the Agency became obligated under the California Redevelopment Law (the "CRL") to make specified payments into the local Supplemental Education Revenue Augmentation fund (the "SERAF"); and

WHEREAS, the CRL permitted the Agency to borrow from the Agency's Low and Moderate income Housing Fund (the "LMIHF") if necessary to satisfy the Agency's SERAF payment obligations; and

WHEREAS, in fiscal year 2009/10, the Agency borrowed the sum of \$2,803,520.10 from the LMIHF in order to satisfy its SERAF payment obligation; and

WHEREAS, the CRL obligated the Agency to repay the SERAF Loan, but this obligation was not satisfied at the time of the Agency's dissolution, and accordingly, the Successor Agency must arrange for the repayment of the SERAF Loan; and

WHEREAS, CRL Section 34176(e)(6) provides that the Agency's SERAF Loan repayment obligation is a housing asset belonging to the entity (the "Housing Successor") which assumed the former CDA's housing assets and functions under CRL Section 34176; and

WHEREAS, the City elected to act as the Housing Successor for the former Agency; and

WHEREAS, CRL Section 34176 (e)(6)(B) provides that, commencing in fiscal year 2013/14, the Successor Agency may start repaying the SERAF Loan with funds from the Redevelopment Property Tax Trust Fund (the "RPTTF") administered by the County Auditor-Controller subject to prior approval by the Oversight Board in accord with CRL Section 34171(d); and

WHEREAS, under CRL Section 34171(d)(1)(G), the Successor Agency's SERAF Loan repayment obligation is an enforceable obligation and, as such, it may be included on the Recognized Obligation Payment Schedule (ROPS) prepared by the Successor Agency under CRL Section 34177; and

WHEREAS, the Successor Agency received a Finding of Completion from the State Department of Finance (the "DOF") in December 2015 which allows the Successor Agency to begin including installment payments on the ROPS; and

WHEREAS, the amount of each SERAF Loan payment which may be included on a ROPS is limited to an amount (the "SERAF Installment") equal to: one-half of the increase between the amount distributed by the Auditor-Controller to taxing entities pursuant to paragraph (4) of CRL Section 34183(a) in the then-current fiscal year "Current Year Residual Distribution" and the amount distributed to taxing entities pursuant to that same paragraph in the 2012/13 base fiscal year (the "Base Year Residual Distribution"); and

WHEREAS, Successor Agency staff has prepared a proposed SERAF Loan repayment schedule (SERAF Loan Repayment Schedule) (attached as Exhibit A) for the Oversight Board's approval in accord with CRL Sections 34171(d)(1)(G) and 34191.4(b); and

WHEREAS, the SERAF Loan Repayment Schedule represents the Successor Agency's good faith estimation of the SERAF Installment for each upcoming annual period commencing on or after July 1, 2017, based on currently estimated Base Year Residual Distribution and Current Year Residual Distribution for each upcoming fiscal year period; and

WHEREAS, at the time of preparation of the applicable ROPS, Successor Agency staff will adjust the amount of each SERAF Installment estimate shown on the SERAF Loan Repayment Schedule to an amount ("Adjusted SERAF Loan Repayment Installment") equal to the greatest amount permissible under the CRL, based on the then-current property tax information; and

WHEREAS, CRL Section 34176(e)(6)(A) requires that all SERAF Installments be paid to the Housing Successor and be used for purposes consistent with the CRL's affordable housing requirements.

NOW, THEREFORE, BE IT RESOLVED, That the Oversight Board of the Successor Agency of the Community Development Agency of the City of Tracy does as follows:

Section 1. In accordance with CRL Section 34171(d)(1)(G) and Section 34191.4(b)(2)(A), the Oversight Board approves the SERAF Loan Repayment Schedule in the form attached as Exhibit A, subject to the Oversight Board's direction to the Successor Agency staff to determine the Adjusted SERAF Loan Repayment Installment based on the updated property tax information available at the time of preparation of the applicable ROPS.

Section 2. The Successor Agency is authorized to include the amount of each Adjusted SERAF Loan Repayment Installment on each ROPS prepared by the Successor Agency for every annual period commencing on or after July 1, 2017.

Section 3. Once received from the Auditor-Controller, every SERAF Loan Repayment Installment will be paid by the Successor Agency to the City (as the Housing Successor), and the outstanding balance of the SERAF Loan will be reduced by a corresponding amount, and the Housing Successor will use the funds only for purposes consistent with the CRL's affordable housing requirements.

Section 4. The Oversight Board directs Successor Agency staff to transmit this Resolution to the State Department of Finance as required by CRL Section 34179(h). This Resolution will become effective in accord with CRL Section 34179(h).

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ADOPTED, July 11, 2017 by the Oversight Board of the Successor Agency to the Tracy Community Development Agency.

AYES:

NOES:

ABSTAIN:

ABSENT:

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Successor Agency Secretary

EXHIBIT A

SERAF Loan Repayment Schedule

1) Original SERAF amount owed to the Housing Fund		\$2,803,520.10
2) Total Outstanding Debt or Obligation		\$2,803,520.10
3) Estimated annual payment based on FY17-18 maximum		
	FY17-18	\$ 1,054,915
	FY18-19	\$ 1,054,915
	FY19-20	\$ 693,690
4) Repayment based on State requirements in accordance with Code Section 34191.4(2)(B)		