

STAFF REPORT
Lancaster Successor Agency

SA NB 1
12/10/13
MVB

Date: December 10, 2013

To: Chairman Parris and Agency Members

From: Barbara Boswell, Finance Director of the City of Lancaster

Subject: **Approve Resolution Finding the Pre-Dissolution Loans were for Legitimate Redevelopment Purposes and Direct Staff to Bring Loans to Oversight Board**

Recommendation:

Approve **Resolution No. SA 12-13**, finding the Pre-Dissolution Loans were for legitimate redevelopment purposes and direct staff to bring loans to Oversight Board for finding that the loans were for legitimate redevelopment purposes and inclusion on future Recognized Obligation Payments Schedules (ROPS) for repayment.

Fiscal Impact:

The outstanding loans (principal and interest as of September 30, 2013) total more than \$62 million. Loans will accrue interest at the LAIF rate until repaid. Twenty percent (20%) of repayments will be deducted and deposited in the Low and Moderate Housing Fund maintained by the Lancaster Housing Authority.

Background:

Health and Safety Code Section 34191.4(b), added by AB 1484 (2012), amended the Redevelopment Dissolution Act, and allows the Successor Agency to reinstate loans prior to dissolution, subject to satisfaction of the following conditions:

- The Department of Finance (DOF) must have issued a Finding of Completion to the Successor Agency. The DOF issued the Finding of Completion to the Successor Agency on August 7, 2013. (Attachment A)
- The Oversight Board must find that the Pre-Dissolution Loans were for legitimate redevelopment purposes and approve the repayment of such loans for inclusion in the Recognized Obligation Payments Schedule (ROPS).
- The Oversight Board's action is subject to review and approval by the DOF.

Throughout the life of the Lancaster Redevelopment Agency (Agency), loans were made by the City of Lancaster (City) to the Agency in order for the Agency to complete projects pursuant to the Implementation Plan. These projects enabled the development of the Municipal Stadium, Fox Field Industrial Park, Valley Central Way Shopping Center, library, among others. The full descriptions of the loans are detailed in Attachment B, Summary of Loans. The total value of the loans outstanding as of the dissolution of the redevelopment agency was \$39,819,479. Interest calculated at the LAIF rates in effect at the time of the origination of the loans is \$22,386,691 for a current total outstanding of \$62,206,170.

After reinstatement, Health & Safety Code Section 34191.4(b)(2) conditions the repayment of the loans by the Successor Agency as follows:

1. Accumulated interest on the loans shall be recalculated from the date of loan origination at the Local Agency Investment Fund (“LAIF”) interest rate, which supersedes the interest rates originally applicable to the City Loans. As of September 30, 2013, the outstanding principal amount owing on the outstanding City Loans was \$39,819,479, with interest at the applicable LAIF rates calculated at a total of \$22,386,691 for a total due of \$62,206,170.
2. Going forward, interest will accrue at the LAIF rate.
3. Loan repayments to the City shall not begin until Fiscal Year 2013-14 unless DOF permits earlier repayment of the City Loans. Such repayments are to be made according to a new, defined schedule over a “reasonable term of years.” The maximum annual repayment is limited to one-half of the increase between the residual amounts from the Redevelopment Property Tax Trust Fund (“RPTTF”) distributed to the taxing entities in the fiscal year the payment is requested and the residual amount distributed to taxing entities in Fiscal Year 2012-13 (the “base year”).
4. Repayments may not begin until outstanding amounts that had been previously borrowed by the Agency from its Low and Moderate Income Housing Fund have been repaid.
5. Twenty percent (20%) of all repayments received by the City shall be deducted and placed in the Low and Moderate Income Housing Asset Fund (“LMIHAF”) maintained by the Lancaster Housing Authority.

The proposed Oversight Board action will accomplish the following:

- Consistent with guidance published by DOF, the interest rate for the loans will be adjusted to match the LAIF rate at the origination date of the loan.

- Payments covering principal and interest will begin once the Low and Moderate Income Housing Fund loans have been repaid, however, not sooner than Fiscal Year 2014-15 unless DOF permits earlier payments to be made, consistent with Health and Safety Code Section 34191.4(b)(2). Such payments are subject to approval by the Oversight Board and DOF in connection with the Successor Agency's Recognized Obligation Payments Schedule. The payments are contingent upon the increase in the residual amount available from RPTTF to taxing entities compared to the amount distributed to taxing entities in Fiscal Year 2012-13. Once adequate RPTTF figures are known, a revised payment schedule shall be calculated in a manner consistent with AB 1484 and subsequently approved by the Oversight Board and DOF. If insufficient RPTTF funds are available, the City will have the option to extend the loan period or to increase the payment amount for the next period to cover the shortage from the previous ROPS period, if possible given the available amount of RPTTF funds during such ROPS period. Interest will continue to accrue on all unpaid amounts.
- The Successor Agency will deduct twenty percent (20%) from each payment made to the City and deposit the funds in the LMIHAF.
- As described above, the loans were issued for legitimate redevelopment purposes pursuant to Health and Safety Code Sections 33132, 33220, former Section 33401, 33445 and 33600.

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Attachments:

Resolution No. SA 12-13

Attachment "A" - Department of Finance Letter Dated August 7, 2013 Approving Finding of Completion