

OVERSIGHT BOARD RESOLUTION NUMBER OB-2017-1

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY  
OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY  
APPROVING A LOAN AGREEMENT BETWEEN THE  
SUCCESSOR AGENCY AND THE CITY OF SAN DIEGO FOR  
PAYMENT OF CERTAIN FISCAL YEAR 2017 PROJECT  
MANAGEMENT COSTS.

WHEREAS, the former Redevelopment Agency of the City of San Diego (Former RDA) administered the implementation of various redevelopment projects, programs, and activities within designated redevelopment project areas throughout the City of San Diego (City); and

WHEREAS, in accordance with Assembly Bill x1 26 (AB 26), the Former RDA dissolved as of February 1, 2012, at which time the City of San Diego, solely in its capacity as the designated successor agency to the Former RDA (Successor Agency), assumed the Former RDA's assets and obligations; and

WHEREAS, the Successor Agency is required to administer the winding down of the Former RDA's operations and to ensure compliance with the Former RDA's obligations in accordance with AB 26, as subsequently amended (collectively, the Dissolution Laws); and

WHEREAS, the Dissolution Laws specify that the Oversight Board and the California Department of Finance (DOF) must review and approve certain actions and decisions of the Successor Agency, including the Successor Agency's approval of each Recognized Obligation Payment Schedule (ROPS); and

WHEREAS, among other things, each ROPS shows the estimated payments owed by the Successor Agency to third parties for enforceable obligations during the upcoming six-month period and identifies the funding sources that will be used to make such payments; and

WHEREAS, under California Health and Safety Code (Code) section 34171(b)(5), the Successor Agency is entitled to obtain Redevelopment Property Tax Trust Fund (RPTTF)

distributions, in addition to the three percent administrative cost allowance, to pay the Successor Agency's project management costs, which include employee costs associated with work on specific project implementation activities, including, but not limited to, construction inspection, project management, or actual construction; and

WHEREAS, in early 2016, the Oversight Board and the DOF approved the Successor Agency's tenth ROPS, also known as ROPS 16-17, covering the fiscal year beginning July 1, 2016, and ending June 30, 2017 (FY 2017); and

WHEREAS, the DOF, in its final ROPS 16-17 determination letter dated May 18, 2016, rejected all of the Successor Agency's requested funding in line item 467 of ROPS 16-17 for \$3,635,000 in project management costs, despite the Successor Agency's objection to this decision in a statutory meet-and-confer process; and

WHEREAS, as a result of continued discussions with Successor Agency staff, the DOF confirmed in an email transmitted on September 26, 2016, that the Successor Agency is entitled to an approval of ROPS funding for its actual, reasonable project management costs during FY 2017 to implement five specific improvement projects pursuant to pre-AB 26 enforceable obligations (collectively, Eligible PM Costs), including Horton Plaza urban park, Lyceum Theatre renovations, Naval Training Center public improvements, Park Boulevard at-grade crossing, and North Embarcadero Visionary Plan Phase 1 improvements; and

WHEREAS, the DOF informed the Successor Agency that, although the DOF has no authority to issue a revised ROPS 16-17 determination letter after the completion of the statutory meet-and-confer process, the DOF will approve the inclusion of the Eligible PM Costs on the next available ROPS, known as ROPS 17-18, subject to the DOF's review of the actual costs to determine that the requested amount is reasonable; and

WHEREAS, in an email transmitted on October 18, 2016, the DOF confirmed that the Oversight Board and the DOF will need to approve an agreement under Code section 34173(h) by which the City issues a temporary loan to the Successor Agency to cover the Eligible PM Costs and the Successor Agency requests funding on ROPS 17-18 to repay the loan; and

WHEREAS, under Code section 34173(h), the City may grant or loan funds to the Successor Agency for administrative costs, enforceable obligations, or project-related expenses of the Successor Agency; and

WHEREAS, any such City loan can be qualified as an enforceable obligation of the Successor Agency pursuant to Code section 34173(h) if the repayment of the loan is reflected on a future ROPS and approved by the Oversight Board and the DOF; and

WHEREAS, in response to the DOF's recent direction, the City and the Successor Agency now propose to enter into the "Loan Agreement for Payment of Certain Fiscal Year 2017 Project Management Costs" (Loan Agreement), a copy of which is included as Attachment C to the Staff Report accompanying this Resolution; and

WHEREAS, the Loan Agreement provides that the City will disburse to the Successor Agency a loan, in an aggregate amount not to exceed \$507,000 (Loan Amount), for the purpose of allowing the Successor Agency to pay Eligible PM Costs incurred during FY 2017; and

WHEREAS, all disbursed and outstanding portions of the Loan Amount will accrue interest at the rate earned by funds deposited by the City into the Local Agency Investment Fund, as adjusted from time to time, from the date of disbursement until fully repaid; and

WHEREAS, the Loan Agreement requires the Successor Agency to identify the Loan Agreement as an enforceable obligation on proposed ROPS 17-18; and

WHEREAS, to the extent that the Oversight Board and the DOF approve the Successor Agency's repayment of the Loan Amount as an enforceable obligation in ROPS 17-18 or any

subsequent ROPS, the Successor Agency will repay the outstanding balance of the Loan Amount as soon as possible after the applicable ROPS time period has commenced.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

1. The Loan Agreement, in the form included as Attachment C to the Staff Report accompanying this Resolution, is approved.
2. The Successor Agency is authorized to include the Loan Agreement on ROPS 17-18, and any subsequent ROPS, as a method of enabling the City to be repaid fully on the Loan Amount from monies in the RPTTF.

**PASSED AND ADOPTED** by the Oversight Board at a duly noticed meeting of the Oversight Board held on January 23, 2017.

  
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Chair, Oversight Board