

OVERSIGHT BOARD RESOLUTION NUMBER OB-2014-32

A RESOLUTION OF THE OVERSIGHT BOARD FOR THE CITY OF SAN DIEGO REDEVELOPMENT SUCCESSOR AGENCY APPROVING THE REHABILITATION LOAN AGREEMENT WITH LOTUS EQUITY GROUP, LLC AND THE ASSOCIATED ESCROW AGREEMENT WITH LOTUS EQUITY GROUP, LLC AND DIXIELINE BUILDERS FUND CONTROL, INC.

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) enacted on June 28, 2011, 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, the Oversight Board's adopted resolution approving ROPS 13-14B included language that authorized the Successor Agency to enter into contracts, and amendments thereto,

for the expenditure of excess non-housing bond proceeds that are budgeted in the approved ROPS 13-14B (Authorization for Bond-Funded Contracts), as permitted by California Health and Safety Code (HSC) section 34191.4(c), upon the Successor Agency's receipt of a finding of completion pursuant to HSC section 34179.7; and

WHEREAS, the DOF issued a letter dated November 8, 2013 (November 2013 Letter) rejecting the Authorization for Bond-Funded Contracts in connection with expenditures during the ROPS 13-14B time period (January through June 2014); and

WHEREAS, the November 2013 Letter effectively requires the Oversight Board and the DOF to approve all new contracts that will involve the Successor Agency's expenditure of excess non-housing bond proceeds in the ROPS 13-14B time period and beyond; and

WHEREAS, one such new contract is the Rehabilitation Loan Agreement (Loan Agreement) between the Successor Agency and Lotus Equity Group, LLC (Owner), which involves the expenditure of ROPS-approved non-housing excess bond proceeds from the City Heights Redevelopment Project Area (Project Area) in an amount not to exceed \$1,379,358 to provide a forgivable loan to fund the historic rehabilitation and renovation of the Silverado Ballroom Building (Project), located within the Project Area; and

WHEREAS, the Successor Agency, or Civic San Diego as the contracting agent on its behalf, will pay for the Project services performed by the Owner under the Loan Agreement utilizing the funding sources shown in line item 564 of ROPS 13-14B covering the time period of January through June 2014; and

WHEREAS, the Loan Agreement provides for the Successor Agency's disbursement of all loan funds during the ROPS 13-14B time period into an escrow account to be administered by a bonded funding control agent (Escrow Agent), pursuant to an escrow agreement (Escrow Agreement) among the Successor Agency, the Escrow Agent, and the Owner; and

WHEREAS, the Successor Agency and the Owner have mutually selected Dixieline Builders Fund Control, Inc. to serve as the Escrow Agent; and

WHEREAS, to the extent that the Successor Agency's disbursement of loan funds into the escrow account occurs during the ROPS 13-14B time period, the Successor Agency will account for this disbursement as an expenditure of all such loan funds for purposes of the prior period adjustment form contained in ROPS 14-15B; and

WHEREAS, the Successor Agency will authorize the disbursement of loan funds from the Escrow Agent to the Owner in increments during multiple ROPS time periods to reimburse the Owner for substantiated Project expenses, based upon Successor Agency staff's review and approval of draw expense reports submitted by the Owner; and

WHEREAS, the up-front funding mechanism created by the Escrow Agreement is necessary to provide the Owner with reasonable certainty, before the Owner commences construction of the Project, that the entire amount of loan funds will be available to finance the construction of the Project and that no work stoppages will occur due to lack of available loan funds during the construction phase.

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

1. The Loan Agreement, a copy of which is attached as Attachment C to the Staff Report dated April 10, 2014 accompanying this item (Staff Report), is hereby approved.
2. The Escrow Agreement, a copy of which is attached as Attachment D to the Staff Report, is hereby approved.

PASSED AND ADOPTED by the Oversight Board at a duly noticed meeting of the Oversight Board held on April 21, 2014.



Chair, Oversight Board