

OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT
AGENCY OF THE CITY OF PALMDALE

COUNTY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO. OB 2012-015

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALMDALE APPROVING LOAN AGREEMENT NO. A-4110 BETWEEN THE CITY OF PALMDALE AND THE SUCCESSOR AGENCY IN ORDER FOR THE SUCCESSOR AGENCY TO PAY CERTAIN OBLIGATIONS AND ADMINISTRATIVE COSTS

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding Assembly Bill x1 26 (the "**Dissolution Act**") largely constitutional; and

WHEREAS, under the Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Community Redevelopment Agency of the City of Palmdale (the "**Former Agency**"), were dissolved on February 1, 2012; and

WHEREAS, the City Council of the City of Palmdale (the "**City Council**") adopted a resolution accepting for the City the role of Successor Agency to the Former Agency. As the Successor Agency, the City administers winding down the former redevelopment agency and provides that the former redevelopment agency's "enforceable obligations" are paid, including debt service on outstanding bonds, other third party contracts and a limited amount of administrative costs (the "**Administrative Cost Allowance**"); and

WHEREAS, the Dissolution Act was amended when the Governor signed Assembly Bill 1484 ("**AB 1484**") on June 27, 2012; and

WHEREAS, in the spring of 2011 the Former Agency received tax increment to pay enforceable obligations, however the balance of the Former Agency's unexpended tax increment received were insufficient to pay enforceable obligations, including certain tax allocation bond payments that were due prior to the next anticipated receipt of tax increment in December 2011 and had to rely on the City to provide cashflow to the Former Agency to meet certain enforceable obligations; and

WHEREAS, prior to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, on or about July 18, 2011, the

California Supreme Court issued a stay of many provisions of the Dissolution Act, but did not stay the prohibition against incurring new debt. The Former Agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the enforceable obligations. In addition, the California Supreme Court had not yet ruled on the constitutionality of the Dissolution Act, and the Former Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the redevelopment agency, the Former Agency and the City were assuming in good faith that the cashflow advance would be reimbursed when the Former Agency received its distribution of tax increment in December 2011. With the dissolution of the Former Agency, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule ("**ROPS**") or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Dissolution Act or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The advance of money described above was used to pay enforceable obligations that were incurred prior to June 28, 2011; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(b), successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance; and

WHEREAS, the Dissolution Act also requires that the Successor Agency prepare a ROPS for each six-month period setting forth all enforceable obligations of the Successor Agency, including an Administrative Cost Allowance as well as other approved project expenditures. Due to lack of funding in the period of January 1 through June 30, 2012 to fund the entire Administrative Cost Allowance and certain project expenditures shown on the ROPS for that period, the City was once again required to provide a cashflow advance to make payments on these enforceable obligations. This amount of the advance was \$959,364. Since AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June

2012, the Successor Agency could not enter into a reimbursement or loan agreement at the time of the expenditure. After the adoption of AB 1484, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, the Successor Agency will face the same situation for the period January 1 through June 30, 2013 with respect to payment of its Administrative Cost Allowance in that there will not be enough revenue available to meet all third party contracts and to pay the administrative expenses. Therefore, the City desires to loan a cashflow advance component of \$325,945 for the Successor Agency's Administrative Cost Allowance shown on the ROPS adopted for the period January 1 through June 30, 2013; and

WHEREAS, to enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$7,889,081.28; and

WHEREAS, the oversight board has been established for the Successor Agency (hereinafter referred to as the "**Oversight Board**") and all five (5) members have been appointed to the Oversight Board pursuant to California Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are set forth in Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, subject to Oversight Board approval, the Successor Agency may enter into proposed Loan Agreement No. A-4110 (the "Loan Agreement") with the City pursuant to the authority granted by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h); and

WHEREAS, the City and the Successor Agency have determined that entering into the proposed Loan Agreement is in the best interests of the City and the Successor Agency.

WHEREAS, after reviewing the terms of the proposed Loan Agreement between the City and the Successor Agency, the Loan from the City to the Successor Agency, and the Successor Agency's repayment of such Loan as presented to and recommended for approval to the Oversight Board by the Successor Agency, and after reviewing any written and oral comments from the public relating thereto, the Oversight Board desires to approve the terms of the Loan and the proposed Loan Agreement and to make the following accompanying findings, resolutions and determinations.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS by the Oversight Board to the Successor Agency to the Community Redevelopment Agency of the City of Palmdale that:

Section 1. The foregoing recitals are true and correct.

Section 2. The Oversight Board hereby finds and determines that the proposed Loan Agreement and the Loan are necessary for the Successor Agency to meet its fiduciary responsibilities for the purpose of paying the obligations set forth in the Loan Agreement.

Section 3. The Oversight Board hereby approves: (i) the proposed Loan Agreement as an enforceable obligation under the Dissolution Act, wherein the City would provide the Loan to the Successor Agency for the purpose of paying the obligations set forth in the Loan Agreement; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.

Section 4. The Oversight Board hereby authorizes the Successor Agency to execute the proposed Loan Agreement between the Successor Agency and the City consistent with the terms of the Loan Agreement and the Loan approved by this Resolution, including without limitation the City's advance of the Loan in the amount not to exceed \$7,889,081.28; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.

Section 5. This Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

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Section 6. The Board Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED and ADOPTED this 27th day of September, 2012, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

David Childs
Chair

ATTEST:

Rebecca J. Smith
Board Clerk



PROPOSED

CITY OF PALMDALE

REPORT TO THE CHAIR AND BOARD OF DIRECTORS
OF THE SUCCESSOR AGENCY TO THE COMMUNITY
REDEVELOPMENT AGENCY OF THE CITY OF PALMDALE
FROM THE EXECUTIVE DIRECTOR

DATE: September 26, 2012

SUBJECT: Approve Loan Agreement No. A-4110 between the City and the Successor Agency to the Community Redevelopment Agency of the City of Palmdale in order for the Successor Agency to Pay Certain Enforceable Obligations

ISSUING DEPARTMENT: Finance Department

SUMMARY

Issues:

Should the Successor Agency adopt Resolution No. SA 2012-027 approving Loan Agreement No. A-4110 between the City and the Successor Agency to the Community Redevelopment Agency of the City of Palmdale in order for the Successor Agency to Pay Certain Enforceable Obligations?

Recommendation:

Adopt Resolution No. SA 2012-027 approving Loan Agreement No. A-4110 between the City and the Successor Agency to the Community Redevelopment Agency of the City of Palmdale in order for the Successor Agency to Pay Certain Enforceable Obligations.

Fiscal Impact:

An amount of \$7,889,081.28 to be loaned from City General Fund and/or Special Revenue Funds to the Successor Agency on a short-term basis to be repaid from Successor Agency RPTTF cash flow.

PROPOSED

BACKGROUND

The State Legislature adopted AB X1 26 in June 2011 and AB 1484 in June 2012 (the "Legislation") relating to the dissolution of redevelopment agencies on February 1, 2012. Pursuant to the Legislation, the City elected to act as Successor Agency to the former Community Redevelopment Agency of the City of Palmdale. As the Successor Agency, the City administers winding down the former redevelopment agency and provides that the former redevelopment agency's "enforceable obligations" are paid. "Enforceable Obligations" include debt service on outstanding bonds, other third party contracts, and a limited amount of administrative costs ("the "Administrative Cost Allowance").

The Legislation has had a significant, perhaps unintended, impact on the former Redevelopment Agency's and on the Successor Agency's ability to pay Enforceable Obligations. Much of this impact is related to the timing of tax increment receipts and the State's assumption in drafting the Legislation that former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, were to be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

The balance of the former Redevelopment Agency's unexpended tax increment received in the spring of 2011 were insufficient to set aside funds to pay certain tax allocation bond payments that were due prior to the next anticipated receipt of tax increment in December 2011. A contributing factor was the unanticipated withholding by the County of approximately \$2.3 million in tax increment relating to property taxes previously paid to the redevelopment agency. The amount was withheld by the County for the purpose of refunding those taxes back to the hospital. This refund arose as a result of the hospital subdividing their parcel, which then led to the County process of refunding the entire \$2.3 million and re-billing that amount between the two subdivided parcels in the next tax year. This revenue should ultimately be made available to the Successor Agency. However, in the meantime, the redevelopment agency had to rely on the City to provide cash flow to meet the following Enforceable Obligations, all of which were incurred prior to June 28, 2011:

- September 1, 2011 Debt Service in the amount of \$1,375,330.32 on Community Redevelopment Agency of the City of Palmdale Tax Allocation Refunding Revenue Note, 2010 Series A (Tax-Exempt)(Redevelopment Project Area No. 1), and the Community Redevelopment Agency of the City of Palmdale Tax Allocation Refunding Revenue Note, 2010 Series B (Taxable)(Redevelopment Project Area No. 1);

- September 1, 2011 Debt Service in the amount of \$190,000 under Loan Agreement relating to Palmdale Civic Authority 1994 Revenue Bonds, Series A (Merged Redevelopment Project Areas);
- September 1, 2011 Debt Service in the amount of \$1,296,000 on Community Redevelopment Agency of the City of Palmdale 1998 Tax Allocation Refunding Bonds (Merged Redevelopment Project Areas);
- September 1, 2011 Debt Service in the amount of \$734,875 on Community Redevelopment Agency of the City of Palmdale 2004 Tax Allocation Refunding Bonds, Series A (Merged Redevelopment Project Areas);
- December 1, 2011 Debt Service in the amount of \$177,225 on Community Redevelopment Agency of the City of Palmdale 1999 Subordinate Lien Tax Allocation Bonds (Merged Redevelopment Project Areas); and
- December 1, 2011 Debt Service in the amount of \$282,552.50 on Community Redevelopment Agency of the City of Palmdale 2004 Subordinate Lien Tax Allocation Bonds (Merged Redevelopment Project Areas).
- Tax Sharing accrued and payable for Fiscal Year 2010-11 due under contractual agreements entered into pursuant to Section 33401 of the Health & Safety Code (the "Code") or statutory provisions of Section 33607.7 of the Code to (1) AVEK Water Agency, (2) Palmdale School District, (3) AV Union High School District, (4) Antelope Valley College District and (5) various other taxing agencies in the combined amount of \$2,547,789.46.

On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a petition with the California Supreme Court (the "Court"), requesting the Court to review the constitutionality of AB X1 26. At that time, the Court issued a stay of many provisions of the Code, but did not stay the prohibition in AB X1 26 against incurring new debt. The redevelopment agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the Enforceable Obligations described above. Further, since the Court had not yet ruled on the constitutionality of AB X1 26, and the Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the redevelopment agency, the former redevelopment agency and the City were assuming in good faith that the cash flow advance would be reimbursed when the former redevelopment agency received its distribution of tax increment in December 2011. With the dissolution of the redevelopment agency, the obligation to reimburse the City for this cash flow advance is now an appropriate obligation of the Successor Agency.

In June 2012, AB 1484 added Section 34173(h) to the Health & Safety Code (the "Code"), which provides that the city that authorized the creation of a redevelopment agency may loan or grant funds to a Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.

Further, Section 34177.3 of the Code states that successor agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, *except in compliance with an enforceable obligation that existed prior to June 28, 2011*, and that successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance. The advance of money described above was used to pay the Enforceable Obligations listed above that were incurred prior to June 28, 2011.

The Legislation also requires that the Successor Agency prepare a Recognized Obligation Payment Schedule ("ROPS") for each six-month period setting forth all Enforceable Obligations of the Successor Agency. Enforceable Obligations include an Administrative Cost Allowance as well as other approved project expenditures. Due to lack of funding in the period of January 1 through June 30, 2012 to fund the entire Administrative Cost Allowance and certain project expenditures shown on the ROPS for that period, the City was once again required to provide a cash flow advance to make payments on these Enforceable Obligations. This amount of the advance was \$959,364. Since AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June 2012, the Successor Agency could not enter into a reimbursement or loan agreement at the time of the expenditure. Again, after the adoption of AB 1484, the obligation to reimburse the City for this cash flow advance is now an appropriate obligation of the Successor Agency.

Finally, the Successor Agency will face the same situation for the period January 1 through June 30, 2013 with respect to payment of its Administrative Cost Allowance. There simply will not be enough revenue available to meet all third party contracts and to pay the administrative expenses. Therefore, the loan will include a cash flow advance component of \$325,945 for the Successor Agency's Administrative Cost Allowance shown on the ROPS adopted for the period January 1 through June 30, 2013.

PROPOSED

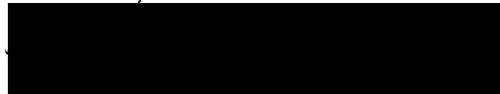
The City's General Fund reserves have been used to provide the cash flow requirements of the former Redevelopment Agency and Successor Agency to pay Enforceable Obligations over the last 15 months and the City currently has unencumbered funds in certain special revenue funds that are available to be used to make the short-term loan to the Successor Agency. Staff expects that the funds can be repaid by the Successor Agency within 36 months, based on its future cash flow estimates. A repayment schedule has been included in the Loan Agreement. The repayment is not subject to the restrictions of Section 34191.4(b) or 34176(e)(6)(B) of the Code and would be paid from first available RPTTF funds not required for other Enforceable Obligations. Interest on the loan shall accrue until such time as the Loan is repaid in full, at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually.

Submitted by:



Betsy St. John
Treasurer

Reviewed by:



David Childs
Executive Director

SUCCESSOR AGENCY
TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF
PALMDALE

COUNTY OF LOS ANGELES, CALIFORNIA

RESOLUTION NO. SA 2012-027

A RESOLUTION OF THE SUCCESSOR AGENCY TO THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF PALMDALE APPROVING LOAN AGREEMENT NO. A-4110 BETWEEN THE CITY OF PALMDALE AND THE SUCCESSOR AGENCY IN ORDER FOR THE SUCCESSOR AGENCY TO PAY CERTAIN OBLIGATIONS AND ADMINISTRATIVE COSTS

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding Assembly Bill x1 26 (the "**Dissolution Act**") largely constitutional; and

WHEREAS, under the Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Community Redevelopment Agency of the City of Palmdale (the "**Former Agency**"), were dissolved on February 1, 2012; and

WHEREAS, the City Council of the City of Palmdale (the "**City Council**") adopted a resolution accepting for the City the role of Successor Agency to the Former Agency. As the Successor Agency, the City administers winding down the former redevelopment agency and provides that the former redevelopment agency's "enforceable obligations" are paid, including debt service on outstanding bonds, other third party contracts and a limited amount of administrative costs (the "**Administrative Cost Allowance**"); and

WHEREAS, the Dissolution Act was amended when the Governor signed Assembly Bill 1484 ("**AB 1484**") on June 27, 2012; and

WHEREAS, in the spring of 2011 the Former Agency received tax increment to pay enforceable obligations, however the balance of the Former Agency's unexpended tax increment received were insufficient to pay enforceable obligations, including certain tax allocation bond payments that were due prior to the next anticipated receipt of tax increment in December 2011 and had to rely on the City to provide cashflow to the Former Agency to meet certain enforceable obligations; and

WHEREAS, prior to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, on or about July 18, 2011, the California Supreme Court issued a stay of many provisions of the Dissolution Act,

but did not stay the prohibition against incurring new debt. The Former Agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the enforceable obligations. In addition, the California Supreme Court had not yet ruled on the constitutionality of the Dissolution Act, and the Former Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the redevelopment agency, the Former Agency and the City were assuming in good faith that the cashflow advance would be reimbursed when the Former Agency received its distribution of tax increment in December 2011. With the dissolution of the Former Agency, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule ("**ROPS**") or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Dissolution Act or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The advance of money described above was used to pay enforceable obligations that were incurred prior to June 28, 2011; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(b), successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance; and

WHEREAS, the Dissolution Act also requires that the Successor Agency prepare a ROPS for each six-month period setting forth all enforceable obligations of the Successor Agency, including an Administrative Cost Allowance as well as other approved project expenditures. Due to lack of funding in the period of January 1 through June 30, 2012 to fund the entire Administrative Cost Allowance and certain project expenditures shown on the ROPS for that period, the City was once again required to provide a cashflow advance to make payments on these enforceable obligations. This amount of the advance was \$959,364. Since AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June 2012, the Successor Agency could not enter into a reimbursement or loan

agreement at the time of the expenditure. After the adoption of AB 1484, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, the Successor Agency will face the same situation for the period January 1 through June 30, 2013 with respect to payment of its Administrative Cost Allowance in that there will not be enough revenue available to meet all third party contracts and to pay the administrative expenses. Therefore, the City desires to loan a cashflow advance component of \$325,945 for the Successor Agency's Administrative Cost Allowance shown on the ROPS adopted for the period January 1 through June 30, 2013; and

WHEREAS, to enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$7,889,081.28; and

WHEREAS, the oversight board has been established for the Successor Agency (hereinafter referred to as the "**Oversight Board**") and all five (5) members have been appointed to the Oversight Board pursuant to California Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are set forth in Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, subject to Oversight Board approval, the Successor Agency may enter into proposed Loan Agreement No. A-4110 (the "Loan Agreement") with the City pursuant to the authority granted by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h); and

WHEREAS, the City and the Successor Agency have determined that entering into the proposed Loan Agreement is in the best interests of the City and the Successor Agency.

WHEREAS, after reviewing the terms of the proposed Loan Agreement between the City and the Successor Agency, the Loan from the City to the Successor Agency, and the Successor Agency's repayment of such Loan, and after reviewing any written and oral comments from the public relating thereto, the Successor Agency desires, subject to approval by the Oversight Board, to approve the terms of the Loan and the proposed Loan Agreement and to make the following accompanying findings, resolutions and determinations.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS by the Successor Agency to the Community Redevelopment Agency of the City of Palmdale that:

Section 1. The foregoing recitals are true and correct.

Section 2. The Successor Agency hereby finds and determines that the proposed Loan Agreement and the Loan are necessary for the Successor Agency to meet its fiduciary responsibilities for the purpose of paying the obligations set forth in the Loan Agreement.

Section 3. The Successor Agency hereby approves: (i) the proposed Loan Agreement as an enforceable obligation under the Dissolution Act, wherein the City would provide the Loan to the Successor Agency for the purpose of paying the obligations set forth in the Loan Agreement; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.

Section 4. The Successor Agency hereby authorizes the Executive Director to execute the proposed Loan Agreement with the City consistent with the terms of the Loan Agreement and the Loan approved by this Resolution, including without limitation the City's advance of the Loan in the amount not to exceed \$7,889,081.28; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.

Section 5. This Resolution shall take effect at the time and in the manner prescribed in Health and Safety Code Section 34179(h).

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Section 6. The Board Clerk shall certify as to the adoption of this Resolution.

PASSED, APPROVED and ADOPTED this 26th day of September, 2012, by the following vote:

AYES: _____

NOES: _____

ABSTAIN: _____

ABSENT: _____

PROPOSED

James C. Ledford
Chair

ATTEST:

Rebecca J. Smith
Secretary

APPROVED AS TO FORM:


Wm. Matthew Ditzhazy
General Counsel



LOAN AGREEMENT
(City Advance to Successor Agency)

Agreement No. A-4110

PROPOSED

This Loan Agreement (the "**Loan Agreement**") is made and entered into as of September 27, 2012, by and between the City of Palmdale, a charter city of the State of California (the "**City**"), and the Successor Agency to the Community Redevelopment Agency of the City of Palmdale, a public entity, duly created, validly existing and in good standing under the laws of the State of California ("**Successor Agency**").

RECITALS

WHEREAS, on December 29, 2011, the California Supreme Court delivered its decision in *California Redevelopment Association v. Matosantos*, finding Assembly Bill x1 26 (the "**Dissolution Act**") largely constitutional; and

WHEREAS, under the Dissolution Act and the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, all California redevelopment agencies, including the Community Redevelopment Agency of the City of Palmdale (the "**Former Agency**"), were dissolved on February 1, 2012; and

WHEREAS, the City Council of the City of Palmdale (the "**City Council**") adopted a resolution accepting for the City the role of Successor Agency to the Former Agency. As the Successor Agency, the City administers winding down the former redevelopment agency and provides that the former redevelopment agency's "enforceable obligations" are paid, including debt service on outstanding bonds, other third party contracts and a limited amount of administrative costs (the "**Administrative Cost Allowance**"); and

WHEREAS, the Dissolution Act was amended when the Governor signed Assembly Bill 1484 ("**AB 1484**") on June 27, 2012; and

WHEREAS, in the spring of 2011 the Former Agency received tax increment to pay enforceable obligations, however the balance of the Former Agency's unexpended tax increment received were insufficient to pay enforceable obligations, including certain tax allocation bond payments that were due prior to the next anticipated receipt of tax increment in December 2011 and had to rely on the City to provide cashflow to the Former Agency to meet certain enforceable obligations; and

WHEREAS, prior to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos*, on or about July 18, 2011, the California Supreme Court issued a stay of many provisions of the Dissolution Act, but did not stay the prohibition against incurring new debt. The Former Agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the enforceable obligations. In addition, the California Supreme Court had not yet ruled

on the constitutionality of the Dissolution Act, and the Former Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the redevelopment agency, the Former Agency and the City were assuming in good faith that the cashflow advance would be reimbursed when the Former Agency received its distribution of tax increment in December 2011. With the dissolution of the Former Agency, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, pursuant to Health and Safety Code Section 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule ("**ROPS**") or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(a), successor agencies shall lack the authority to, and shall not, create new enforceable obligations under the authority of the Dissolution Act or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011. The advance of money described above was used to pay enforceable obligations that were incurred prior to June 28, 2011; and

WHEREAS, pursuant to Health and Safety Code Section 34177.3(b), successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance; and

WHEREAS, the Dissolution Act also requires that the Successor Agency prepare a ROPS for each six-month period setting forth all enforceable obligations of the Successor Agency, including an Administrative Cost Allowance as well as other approved project expenditures. Due to lack of funding in the period of January 1 through June 30, 2012 to fund the entire Administrative Cost Allowance and certain project expenditures shown on the ROPS for that period, the City was once again required to provide a cashflow advance to make payments on these enforceable obligations. This amount of the advance was \$959,364. Since AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June 2012, the Successor Agency could not enter into a reimbursement or loan agreement at the time of the expenditure. After the adoption of AB 1484, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency; and

WHEREAS, the Successor Agency will face the same situation for the period January 1 through June 30, 2013 with respect to payment of its Administrative Cost Allowance in that there will not be enough revenue available to meet all third party

contracts and to pay the administrative expenses. Therefore, the City desires to loan a cashflow advance component of \$325,945 for the Successor Agency's Administrative Cost Allowance shown on the ROPS adopted for the period January 1 through June 30, 2013; and

WHEREAS, to enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$7,889,081.28; and

WHEREAS, the oversight board has been established for the Successor Agency (hereinafter referred to as the "**Oversight Board**") and all five (5) members have been appointed to the Oversight Board pursuant to California Health and Safety Code Section 34179. The duties and responsibilities of the Oversight Board are set forth in Health and Safety Code Sections 34179 through 34181 of the Dissolution Act; and

WHEREAS, subject to Oversight Board approval, the Successor Agency may enter into this Loan Agreement with the City pursuant to the authority granted by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h); and

WHEREAS, the City and the Successor Agency have determined that entering into this Loan Agreement is in the best interests of the City and the Successor Agency.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

ARTICLE I.

INTRODUCTORY PROVISIONS

Section 1.01 Recitals. The recitals above are an integral part of this Loan Agreement and set forth the intentions of the parties and the premises on which the parties have decided to enter into this Loan Agreement.

ARTICLE II.

LOAN PROVISIONS

Section 2.01 Loan. The City hereby agrees to lend to the Successor Agency the principal amount of Seven Million Eight Hundred Eighty Nine Thousand and Eighty One Dollars and 28 Cents (\$7,889,081.28) (the "**Loan**") for the purposes set forth in Section 2.03.

Section 2.02 Interest. Interest on the Loan shall accrue as of the Effective Date, continuing until such time as the Loan is repaid in full, at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually.

Section 2.03 Use of Loan Funds. The Successor Agency shall use the Loan for the purpose of paying the obligations and up to the amounts as set forth in Exhibit A, attached thereto and incorporated herein by this reference.

Section 2.04 Condition to Disbursement. The City shall have no obligation to disburse the Loan funds to the Successor Agency until the California Department of Finance approves this Loan Agreement or is otherwise deemed approved pursuant to the Dissolution Act or State law.

Section 2.05 Repayment of Loan.

(a) The Loan is an enforceable obligation of the Successor Agency payable in accordance with the payment schedule set forth and attached hereto as Exhibit B (the "**Payment Schedule**") on June 1 and January 2 of each year solely from property tax receipts attributed to the Merged Redevelopment Projects, adopted by the City Council on March 24, 1994 by Ordinance Nos. 1042, 1043, and 1044 and maintained in the Redevelopment Property Trust Fund ("**RPTTF**") by the Los Angeles County Auditor-Controller for the purpose of paying enforceable obligations of the Successor Agency. The repayment is not subject to the restrictions of Section 34176(e)(6)(B) or 34191.4(b) of the Health and Safety Code and would be paid from first available RPTTF funds not required for other enforceable obligations.

(b) The Loan shall be set forth as an enforceable obligation of the Successor Agency on the Third ROPS, as amended, for the period from January 1, 2013 through June 30, 2013 and every ROPS thereafter until paid in full. Each payment described on the Payment Schedule shall be due and payable in full from the Successor Agency's Redevelopment Obligation Retirement Fund ("**RORF**") beginning with the June 1, 2013 payment to the RORF by the Los Angeles County Auditor-Controller. However, should the Successor Agency receive insufficient funds from the RPTTF to pay all costs shown on the Third ROPS and each ROPS thereafter, then the amount due and payable on the Loan as set forth in the Payment Schedule shall equal the amount deposited into the RORF less all other costs shown on the Third ROPS and each ROPS thereafter, and the unpaid balance of any principal and interest for such ROPS period shall be due and payable in full on the next ROPS.

(c) The procedure described in subsection (b) of this Section shall continue to be followed for each ROPS until the principal and interest due on the Loan are paid in full. Any remaining principal and interest due on the Loan as set forth in the Payment Schedule shall continue to be shown as an enforceable obligation on each ROPS until the Successor Agency has received sufficient funds to pay all principal and interest due on the Loan.

(d) All Loan payments shall first be used to pay all accrued interest and then to reduce the principal balance.

(e) The indebtedness of Successor Agency under this Loan Agreement shall be subordinate to the rights of the holder or holders of any existing bonds, notes or other instruments of indebtedness (all referred to herein as "indebtedness") of the Successor Agency, including without limitation any pledge of tax increment revenues to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any bond or bonds issued or sold by the Former Agency.

Section 2.06 Optional Prepayment of the Loan. The Successor Agency shall have the right to prepay the unpaid principal and interest of the Loan, or portion thereof, at any time.

Section 2.07 Books and Accounts; Financial Statements. The Successor Agency will keep, or cause to be kept, proper books of record and accounts showing the use of the Loan funds, interest due on the Loan, Loan repayments, and principal and interest outstanding.

ARTICLE III.

DEFAULT AND REMEDIES

Section 3.01 Event of Default. Failure by the Successor Agency to pay the principal or interest on the Loan when due and payable shall constitute a default (referred to herein as a "Default").

Section 3.02 No Waiver. A waiver of any Default by the City shall not affect any subsequent Default or impair any rights or remedies on the subsequent default.

Section 3.03 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

ARTICLE IV.

MISCELLANEOUS

Section 4.01 No Merger. In entering into this Loan Agreement, the City is acting in its capacity as a charter city, while the Successor Agency is acting in its capacity as the successor to the Former Agency; and both the City and the Successor Agency are acting pursuant to the specific authority granted by the Oversight Board and by Health and Safety Code Sections 33220, 34173(h), 34177.3 and 34180(h) authorizing agreements between the City and the Successor Agency. In consequence, the parties to this Loan Agreement are not merged.

PROPOSED

Section 4.02 Successor is Deemed Included in All References to Predecessor. Whenever in this Loan Agreement either the Successor Agency or the City is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Loan Agreement contained by or on behalf of the Successor Agency or the City shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 4.03 Amendment. This Loan Agreement may be amended by the parties hereto but only by a written instrument signed by both parties and with the approval of the Oversight Board.

Section 4.04 Effective Date. This Loan Agreement shall take effect upon approval by the Oversight Board and, following that approval, at the time and in the manner prescribed in Health and Safety Code Section 34179(h) (the "Effective Date").

Section 4.05 Severability. If any Section, paragraph, sentence, clause or phrase of this Loan Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Loan Agreement. The City and the Successor Agency hereby declare that they would have adopted this Loan Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the Loan irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the City of Palmdale and the Successor Agency to the Community Redevelopment Agency of the City of Palmdale have caused this Loan Agreement to be signed by their respective officers all as of the day and year first above written.

"CITY"
THE CITY OF PALMDALE, CALIFORNIA

"SUCCESSOR AGENCY"
SUCCESSOR AGENCY TO THE
COMMUNITY REDEVELOPMENT AGENCY
OF THE CITY OF PALMDALE

By: _____
James C. Ledford, Jr.
Mayor

By: _____
James C. Ledford, Jr.
Chair

ATTEST:

ATTEST:

By: _____
Rebecca J. Smith
City Clerk

By: _____
Rebecca J. Smith
Secretary

APPROVED AS TO FORM: _____
By: _____
Wm. Matthew Ditzhazy
City Attorney

APPROVED AS TO FORM: _____
By: _____
Wm. Matthew Ditzhazy
General Counsel

EXHIBIT A

SCHEDULE OF OBLIGATIONS

OBLIGATION	AMOUNT OF ADVANCE
September 1, 2011 Debt Service in the amount of \$1,375,330.32 on Community Redevelopment Agency of the City of Palmdale Tax Allocation Refunding Revenue Note, 2010 Series A (Tax-Exempt)(Redevelopment Project Area No. 1), and the Community Redevelopment Agency of the City of Palmdale Tax Allocation Refunding Revenue Note, 2010 Series B (Taxable)(Redevelopment Project Area No. 1).	\$1,375,330.32
September 1, 2011 Debt Service in the amount of \$190,000 under Loan Agreement relating to Palmdale Civic Authority 1994 Revenue Bonds, Series A (Merged Redevelopment Project Areas).	\$190,000
September 1, 2011 Debt Service in the amount of \$1,296,000 on Community Redevelopment Agency of the City of Palmdale 1998 Tax Allocation Refunding Bonds (Merged Redevelopment Project Areas).	\$1,296,000
September 1, 2011 Debt Service in the amount of \$734,875 on Community Redevelopment Agency of the City of Palmdale 2004 Tax Allocation Refunding Bonds, Series A (Merged Redevelopment Project Areas).	\$734,875
December 1, 2011 Debt Service in the amount of \$177,225 on Community Redevelopment Agency of the City of Palmdale 1999 Subordinate Lien Tax Allocation Bonds (Merged Redevelopment Project Areas).	\$177,225
December 1, 2011 Debt Service in the amount of \$282,552.50 on Community Redevelopment Agency of the City of Palmdale 2004 Subordinate Lien Tax Allocation Bonds (Merged Redevelopment Project Areas).	\$282,552.50
Tax Sharing accrued and payable for Fiscal Year 2010-11 due under contractual agreements entered into pursuant to Section 33401 of the Health and Safety Code or statutory provisions of Section 33607.7 of the Health and Safety Code to (1) AVEK Water Agency, (2) Palmdale School District, (3) AV Union High School District, (4) Antelope Valley College District and (5)	\$2,547,789.46

PROPOSED

Loan Agreement
(City Advance to Successor Agency)

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various other taxing agencies in the combined amount of \$2,547,789.46.	
January 1 through June 30, 2012 to fund the entire Administrative Cost Allowance and certain project expenditures shown on the ROPS for that period.	\$959,364
January 1 through June 30, 2013 to fund the Administrative Cost Allowance as shown on the ROPS for that period.	\$325,945
TOTAL	\$7,889,081.28

PROPOSED

Loan Agreement
(City Advance to Successor Agency)

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EXHIBIT B

PAYMENT SCHEDULE

<u>FISCAL YEAR</u>	<u>PAYMENT AMOUNT</u>
FY 2013-2014	\$2,500,000 plus accrued interest
FY 2014-2015	\$2,500,000 plus accrued interest
FY 2015-2016	Remaining principal balance of the Loan plus accrued interest