

RESOLUTION NO. 1-14 (OB)

A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE CITY OF WATSONVILLE APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A LOAN OWED TO THE FORMER REDEVELOPMENT AGENCY'S LOW AND MODERATE INCOME HOUSING FUND IN ACCORD WITH HEALTH & SAFETY CODE SECTIONS 34171(d)(1)(G) AND 34191.4(b)(1)

WHEREAS, in accord with the provisions of the California Community Redevelopment Law (Health and Safety Code Section 33000, et seq. ("**CRL**"), the City Council of the City of Watsonville ("**City**") previously established the Redevelopment Agency of the City of Watsonville, a public body, corporate and politic ("**Agency**") to carry out the purposes of and exercise the powers granted to community redevelopment agencies under the CRL; and

WHEREAS, on February 1, 2012, the Agency was dissolved pursuant to Assembly Bill 1X26 (Stats. 2011, 1st Ex. Sess., Ch. 5) ("**AB 26**"), and its rights, powers, duties and obligations were transferred to a "successor agency" (as defined by CRL Section 34171(j) and Section 34173); and

WHEREAS, the City Council elected to act as the Agency's successor agency ("**Successor Agency**") under CRL Section 34173, and, as such, is charged with administering the retirement of the former Agency's debts and other obligations; and

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

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

WHEREAS, on April 27, 2011, the Agency borrowed the original principal sum of Six Hundred Twenty-Nine Thousand Nine Hundred Forty Dollars (\$629,940) from the LMIHF in order to satisfy its SERAF payment obligation; and

WHEREAS, in accord with CRL Section 34191.4, the obligation to repay the funds borrowed to meet the Agency's SERAF obligation may be repaid with interest at a rate equal to the interest rate earned by funds deposited into the Local Agency Investment Fund ("**LAIF Rate**"); and

WHEREAS, as used in this Resolution, the term "**SERAF Loan**" means the original principal amount plus interest on all unpaid portions of the principal amount at the LAIF Rate (hereinafter defined); 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 ("**Housing Successor**") which assumed the former Agency'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 accordingly established the Low and Moderate Income Housing Asset Fund ("**HMIHAF**") required by CRL section 34176(d); 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 ("**RPTTF**") administered by the Santa Cruz

County Auditor-Controller (“**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 Agency’s SERAF Loan repayment obligation is an enforceable obligation and, as such, it may be included on the Recognized Obligation Payment Schedules (“**ROPS**”) prepared by the Successor Agency under CRL Section 34177; and

WHEREAS, the amount of each SERAF Loan payment which may be included on a ROPS is limited by CRL section 34176(e)(6)(B) to an amount (“**SERAF Loan Repayment 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 (“**Base Year Residual Distribution**”); and

WHEREAS, on February 26, 2013, the Oversight Board adopted Resolution 3-13 (OB) authorizing repayment of the SERAF Loan and establishing a good faith estimate of the repayment schedule commencing in fiscal year 2013-14; and

WHEREAS, subsequently to adoption of Resolution 3-13 (OB), the California Department of Finance (“**DOF**”) determined that no SERAF loan repayment could commence prior to fiscal year 2014-15, since the statutory formula required to calculate the maximum loan repayment schedule stipulated the use of full fiscal year residual distributions, thereby requiring the modification of the repayment scheduled included in Resolution 3-13 (OB); and

WHEREAS, at the time of preparation of each applicable ROPS, Successor Agency staff will include a SERAF Loan Repayment Installment at an amount equal to the greatest amount permissible under CRL Section 34176(e)(6)(B); and

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

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY OF THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE AS FOLLOWS:

Section 1. The Oversight Board finds that the SERAF Loan was made in accordance with the CRL and was for legitimate redevelopment purposes.

Section 2. In accord with CRL Section 34171(d)(1)(G) and Section 34191.4(b)(2)(A), the Oversight Board approves a SERAF Loan Repayment Installment Schedule, with each Installment being equal to the maximum amount allowable under CRL section 34176(e)(6)(B).

Section 3. The Successor Agency is authorized to include the amount of each SERAF Loan Repayment Installment on each ROPS prepared by the Successor Agency for every 6-month fiscal period commencing on or after July 1, 2014.

Section 4. Once received from the Auditor-Controller, every SERAF Loan Repayment Installment will be paid by the Successor Agency to the LMIHAF created by the City (as the Housing Successor), the outstanding balance of the SERAF Loan will be reduced by a corresponding amount, and the City (as the Housing Successor) will use the funds only for purposes consistent with the CRL's affordable housing requirements.

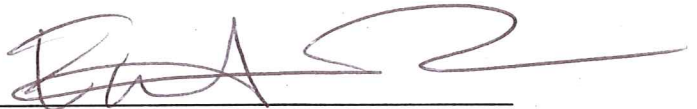
Section 5. The Oversight Board directs the City Manager to transmit this Resolution to the State Department of Finance as required by CRL Section 34179(h). This Resolution will become effective in accord with CRL Section 34179(h).

The foregoing resolution was introduced at a regular meeting of the Oversight Board of Successor Agency to the City of Watsonville Redevelopment Agency, held on the 19th day of February, 2014, by Member Friend, who moved its adoption, which motion being duly seconded by Member McFadden, was upon roll call carried and the resolution adopted by the following vote:

AYES: BOARD MEMBERS: **Caput, Carrillo, Friend, McFadden, Medina, Tavantzis, Montesino**

NOES: BOARD MEMBERS: **None**

ABSENT: BOARD MEMBERS: **None**



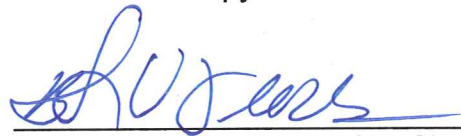
Eduardo Montesino, Chair

ATTEST:



Beatriz Vázquez Flores, Board Secretary

I, Beatriz Vázquez Flores, City Clerk of the City of Watsonville, do hereby certify that the foregoing Resolution No. 1-14 (OB) was duly and regularly passed and adopted by the Oversight Board at a meeting thereof held on the 19th day of February, 2014, and that the foregoing is a full, true and correct copy of said Resolution.



Beatriz Vázquez Flores, City Clerk