

**RESOLUTION NO. \_\_\_\_\_ (SA)****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WATSONVILLE, ACTING AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE, APPROVING AN AGREEMENT REGARDING REINSTATEMENT OF CITY LOANS MADE TO THE FORMER REDEVELOPMENT AGENCY**

**WHEREAS**, pursuant to authority granted under Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) (“**CRL**”), the former Redevelopment Agency of the City of Watsonville (“**Redevelopment Agency**”) had responsibility to implement the Redevelopment Plan for the Watsonville 2000 Redevelopment Project Area (the “**Project Area**”); and

**WHEREAS**, pursuant to Resolution No. 4-12 (CM), adopted by the Watsonville City Council (“**City Council**”) on January 10, 2012, the City of Watsonville (“**City**”) agreed to serve as the successor agency to the Redevelopment Agency (“**Successor Agency**”) commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to Assembly Bill x1-26; and

**WHEREAS**, pursuant to Health and Safety Code Section 33220, the City was authorized to assist the Redevelopment Agency for the purpose of aiding and cooperating in the planning, undertaking, construction, and operation of redevelopment projects located within the jurisdiction of the City, upon the terms and with or without consideration as the City determined; and

**WHEREAS**, pursuant to Health and Safety Code Section 33445, the Redevelopment Agency was authorized to enter into agreements with the City pursuant to which the Redevelopment Agency would agree to reimburse the City for funds provided by the City for the cost of installation and construction of public improvements, structures and facilities located within or outside the Project Area; and

**WHEREAS**, pursuant to Health and Safety Code Sections 33132 and 33601, the Redevelopment Agency was authorized to borrow money and accept financial assistance from the City for redevelopment projects located within the Redevelopment Agency's jurisdiction; and

**WHEREAS**, consistent with the foregoing authority, the City made the following loans (collectively, the "**Loans**") to the Redevelopment Agency:

- (i) A loan in the principal amount of \$1,192,579 provided pursuant to a Public Improvements Financing Agreement (Library) dated as of June 28, 2006, for the purpose of advancing funds for the planning and construction of the Watsonville Public Library and related public improvements (the "**Library Project Loan**");
- (ii) A loan in the principal amount of \$3,236,651 provided pursuant to a Public Improvements Financing Agreement (Parking Structure) dated as of June 28, 2006, for the purpose of advancing funds for the planning and construction of the Civic Center Parking Garage and related public improvements (the "**Parking Garage Loan**");
- (iii) A loan in the original principal amount of \$297,023 provided pursuant to a Deferred Fee Payment Agreement (Parking Structure) dated as of September 28, 2004, and amended June 22, 2010 to decrease the principal amount to \$256,240.82, for the purpose of advancing funds for deferred development impact fees for the Civic Center Parking Structure (the "**Civic Center Parking Structure Deferred Fee Loan**");
- (iv) A loan in the original principal amount of \$242,305 provided pursuant to a Deferred Fee Payment Agreement (Watsonville Civic Plaza) dated as of June 28, 2006, and amended June 22, 2010 to increase the principal amount to \$452,253.92, for the purpose of advancing funds for deferred development impact fees for the Civic Plaza Project (the "**Civic Plaza Deferred Fee Loan**");
- (v) A loan in the principal amount of \$1,005,236 provided pursuant to a Water Enterprise Fund Loan Agreement dated as of May 27, 2004, for the purpose of advancing funds to repay an over-allocation of tax increment funds to the Santa Cruz County Auditor-Controller (the "**Tax Increment Reimbursement Loan**");
- (vi) A loan in the cumulative principal amount of \$631,401 provided for the purpose of advancing funds for Redevelopment Agency planning, administrative, and project-related expenses pursuant a Loan Agreement executed as of April 15, 1999, and amended on June 1, 2004 (the "**Administrative Expenses Loan**"); and

- (vii) A loan in the amount of \$52,128 provided pursuant to a Parking Permit Subsidy Agreement dated as of January 11, 2011, for the purpose of advancing funds for parking subsidies to support new business development in the Project Area (the “**Parking Permit Subsidy Loan**”).

**WHEREAS**, pursuant to Health and Safety Code Section 34191.4(b), once a successor agency has received a Finding of Completion pursuant to Health and Safety Code Section 34179.7, loan agreements entered into between the redevelopment agency and the entity that created the redevelopment agency (“**Sponsoring Jurisdiction Loans**”) shall be deemed to be enforceable obligations provided that the successor agency’s oversight board makes a finding that the Sponsoring Jurisdiction Loans were for legitimate redevelopment purposes; and

**WHEREAS**, the Successor Agency received a Finding of Completion on February 21, 2014; and

**WHEREAS**, as described above, each of the Loans was made for legitimate redevelopment purposes as authorized by, and consistent with, the CRL; and

**WHEREAS**, Health and Safety Code Section 34191.4(b)(2) provides that: (i) the accumulated interest on Sponsoring Jurisdiction Loans shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (“**LAIF**”), (ii) Sponsoring Jurisdiction Loans shall be repaid to the sponsoring jurisdiction in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF, and (iii) the annual amount of repayments on Sponsoring Jurisdiction Loans provided for in the Recognized Obligation Payment Schedule (“**ROPS**”) is subject to specified limitations; and

**WHEREAS**, Successor Agency staff have prepared an Agreement Regarding Reinstatement of Loans (the “**Agreement**”) which provides for repayment of the Loans in

accordance with the requirements of Health and Safety Code Section 34191.4(b) and commits the City to use the Loan repayment proceeds in accordance with Health and Safety Code Section 34191.4(b).

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WATSONVILLE, ACTING AS THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF WATSONVILLE, AS FOLLOWS:**

**Section 1.** The facts stated in the foregoing Recitals are hereby acknowledged and affirmed.

**Section 2.** The Agreement, a copy of which is attached to this resolution as Exhibit "A," is approved and, contingent upon the Agreement's approval by the Oversight Board, the City Manager or his designee is authorized to execute the Agreement on behalf of the Successor Agency.

**Section 3.** Contingent upon approval by the Oversight Board, the Successor Agency is authorized and directed to list the Agreement and the repayment of the Loans on the Successor Agency's ROPS for the January-June 2015 period ("**ROPS 14-15B**") and for each succeeding ROPS period until the Loans are repaid in full in accordance with the Agreement.

**Section 3.** The City Manager and his designees are authorized to take such further actions as may be necessary to carry out the intent of this Resolution.

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## AGREEMENT REGARDING REINSTATEMENT OF LOANS

(City of Watsonville/ Successor Agency to the City of Watsonville Redevelopment Agency)

THIS AGREEMENT REGARDING REINSTATEMENT OF LOANS (this "Agreement") is entered into as of \_\_\_\_\_, 2014 by and between the Successor Agency to the Redevelopment Agency of the City of Watsonville ("**Successor Agency**") and the City of Watsonville, a municipal corporation ("**City**"). The Successor Agency and the City are hereinafter collectively referred to as the "**Parties**." This Agreement will become effective on the date ("**Effective Date**") that it has been approved by the Oversight Board in accord with Health and Safety Code Section 34179(h).

### RECITALS

A. Pursuant to authority granted under Community Redevelopment Law (California Health and Safety Code Section 33000 *et seq.*) ("**CRL**"), the former Redevelopment Agency of the City of Watsonville ("**Redevelopment Agency**") had responsibility to implement the Redevelopment Plan for the Watsonville 2000 Redevelopment Project Area (the "**Project Area**").

B. Pursuant to Resolution No. 4-12 (CM) adopted by the Watsonville City Council ("**City Council**") on January 10, 2012, the City agreed to serve as the successor agency to the Redevelopment Agency commencing upon dissolution of the Redevelopment Agency on February 1, 2012 pursuant to Assembly Bill x1 26.

C. Pursuant to Health and Safety Code Section 33220, the City was authorized to assist the Redevelopment Agency for the purpose of aiding and cooperating in the planning, undertaking, construction, and operation of redevelopment projects located within the jurisdiction of the City, upon the terms and with or without consideration as the City determined.

D. Pursuant to Health and Safety Code Section 33445, the Redevelopment Agency was authorized to enter into agreements with the City pursuant to which the Redevelopment Agency would agree to reimburse the City for funds provided by the City for the cost of installation and construction of public improvements, structures and facilities located within or outside the Project Area.

E. Pursuant to Health and Safety Code Sections 33132 and 33601, the Redevelopment Agency was authorized to borrow money and accept financial assistance from the City for redevelopment projects located within the Redevelopment Agency's jurisdiction.

F. Consistent with the foregoing authority, the City made the following loans (collectively, the "**Loans**") to the Redevelopment Agency:

(i) A loan in the principal amount of \$1,192,579 provided pursuant to a Public Improvements Financing Agreement (Library) dated as of June 28, 2006, for the purpose of advancing funds for the planning and construction of the Watsonville Public Library and related public improvements (the "**Library Project Loan**");

(ii) A loan in the principal amount of \$3,236,651 provided pursuant to a Public Improvements Financing Agreement (Parking Structure) dated as of June 28, 2006, for the purpose of advancing funds for the planning and construction of the Civic Center Parking Garage and related public improvements (the “**Parking Garage Loan**”);

(iii) A loan in the original principal amount of \$297,023 provided pursuant to a Deferred Fee Payment Agreement (Parking Structure) dated as of September 28, 2004, and amended June 22, 2010 to decrease the principal amount to \$256,240.82, for the purpose of advancing funds for deferred development impact fees for the Civic Center Parking Structure (the “**Civic Center Parking Structure Deferred Fee Loan**”);

(iv) A loan in the original principal amount of \$242,305 provided pursuant to a Deferred Fee Payment Agreement (Watsonville Civic Plaza) dated as of June 28, 2006, and amended June 22, 2010 to increase the principal amount to \$452,253.92, for the purpose of advancing funds for deferred development impact fees for the Civic Plaza Project (the “**Civic Plaza Deferred Fee Loan**”);

(v) A loan in the principal amount of \$1,005,236 provided pursuant to a Water Enterprise Fund Loan Agreement dated as of May 27, 2004, for the purpose of advancing funds to repay an over-allocation of tax increment funds to the Santa Cruz County Auditor-Controller (the “**Tax Increment Reimbursement Loan**”);

(vi) A loan in the cumulative principal amount of \$631,401 provided for the purpose of advancing funds for Redevelopment Agency planning, administrative, and project-related expenses pursuant a Loan Agreement executed as of April 15, 1999, and amended on June 1, 2004 (the “**Administrative Expenses Loan**”); and

(vii) A loan in the amount of \$52,128 provided pursuant to a Parking Permit Subsidy Agreement dated as of January 11, 2011, for the purpose of advancing funds for parking subsidies to support new business development in the Project Area (the “**Parking Permit Subsidy Loan**”).

G. Pursuant to Health and Safety Code Section 34191.4(b), once a successor agency has received a Finding of Completion pursuant to Health and Safety Code Section 34179.7, loan agreements entered into between the redevelopment agency and the entity that created the redevelopment agency (“**Sponsoring Jurisdiction Loans**”) shall be deemed to be enforceable obligations provided that the successor agency’s oversight board makes a finding that the Sponsoring Jurisdiction Loans were for legitimate redevelopment purposes.

H. The Successor Agency received a Finding of Completion on February 21, 2014.

I. Health and Safety Code Section 34191.4(b)(2) provides that: (i) the accumulated interest on Sponsoring Jurisdiction Loans shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (“**LAIF**”), (ii) Sponsoring Jurisdiction Loans shall be repaid to the sponsoring jurisdiction in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by funds deposited into LAIF, and (iii) the annual amount of repayments on

Sponsoring Jurisdiction Loans provided for in the Recognized Obligation Payment Schedule (“**ROPS**”) is subject to specified limitations.

J. This Agreement provides for repayment of the Loans in accordance with the requirements of Health and Safety Code Section 34191.4(b) and commits the City to use the Loan repayment proceeds in accordance with Health and Safety Code Section 34191.4(b).

K. On March 12, 2014, the Oversight Board for the Successor Agency (“**Oversight Board**”) adopted Resolutions Numbers \_\_\_\_\_ (OB) pursuant to which the Oversight Board adopted findings determining that the Loans were made for legitimate redevelopment purposes as authorized by, and consistent with, the CRL, authorized the Successor Agency to enter into this Agreement, and authorized the Successor Agency to list this Agreement and repayment of the Loans on the ROPS.

NOW, THEREFORE, the Successor Agency and the City agree as follows:

1. Reinstatement of Loans; Original Principal Balances. The Parties acknowledge and agree that pursuant to the facts stated in the foregoing Recitals, which by this reference are incorporated into this Agreement, the Loans constitute enforceable obligations, eligible to be listed on the Successor Agency’s ROPS and repaid pursuant to and in accordance with Health and Safety Code Section 34191.4(b). The Parties acknowledge and agree that the original outstanding principal balances of the Loans are as follows: (i) The Library Project Loan had an original principal balance of \$1,192,579;

(ii) The Parking Garage Loan had an original principal balance of \$3,236,651;

(iii) The Civic Center Parking Structure Deferred Fee Loan had an original principal balance of \$256,240.82;

(iv) The Civic Plaza Deferred Fee Loan had an original principal balance of \$452,253.92;

(v) The Tax Increment Reimbursement Loan had an original principal balance of \$1,005,236;

(vi) The Administrative Expenses Loan had an original principal balance of \$631,401; and

(vii) The Parking Permit Subsidy Loan had an original principal balance of \$52,128.

2. Interest Rate and Current Balances (Original Principal Plus Accumulated Interest) as of the Effective Date.

A. In accordance with Health and Safety Code Section 34191.4(b)(2), the current outstanding balances of the Loans (original principal balance plus interest accumulated on the outstanding principal balance of the Loans from origination through the Effective Date

("Accumulated Interest") are as follows, based upon application of the LAIF Rate (defined below):

(i) The Accumulated Interest on the Library Project Loan equals \$0. When added to the outstanding \$1,192,579 principal balance, the current outstanding balance of the Library Project Loan as of the Effective Date is \$1,192,579;

(ii) The Accumulated Interest on the Parking Garage Loan equals \$0. When added to the outstanding \$3,236,651 principal balance, the current outstanding balance of the Parking Garage Loan as of the Effective Date is \$3,236,651;

(iii) The Accumulated Interest on the Parking Structure Deferred Fee Loan equals \$0. When added to the outstanding \$256,240.82 principal balance, the current outstanding balance of the Civic Center Parking Structure Deferred Fee Loan as of the Effective Date is \$256,240.82;

(iv) The Accumulated Interest on the Civic Plaza Deferred Fee Loan equals \$6,956.87. When added to the outstanding \$452,253.92 principal balance, the current outstanding balance of the Civic Plaza Deferred Fee Loan as of the Effective Date is \$459,210.79;

(v) The Accumulated Interest on the Tax Increment Reimbursement Loan equals \$18,544.81. When added to the outstanding \$704,055.03 principal balance, and after applying a credit for previously-paid excess interest, the current outstanding balance of the Tax Increment Reimbursement Loan as of the Effective Date is \$573,362.88;

(vi) The Accumulated Interest on the Administrative Expenses Loan equals \$0. When added to the outstanding \$468,289 principal balance, the current outstanding balance of the Administrative Expenses Loan as of the Effective Date is \$468,289; and

(vii) The Accumulated Interest on the Parking Permit Subsidy Loan equals \$0. When added to the outstanding \$26,668 principal balance, the current outstanding balance of the Parking Permit Subsidy Loan as of the Effective Date is \$26,668.25.

B. Accumulated Interest (as defined in paragraph A, above) has been calculated using a quarterly interest rate equal to zero point two six percent (0.26%) which is the Local Agency Investment Fund Quarterly Apportionment Rate (the "**LAIF Rate**") in effect as of the date upon which the Oversight Board adopted its determination that the Loans were made for legitimate redevelopment purposes as posted on the State Treasurer's website (<http://www.treasurer.ca.gov/pmia-laif/historical/quarterly.asp>). Commencing upon the Effective Date, interest shall accrue on the current outstanding balances of the Loans (as set forth in paragraph A, above) at a rate equal to the LAIF Rate in effect from time to time immediately prior to the date on which a ROPS that includes a payment hereunder is prepared and submitted to the Oversight Board for approval. Interest shall accrue in accordance with this Section until the Loans are repaid in full. Interest shall be calculated on the basis of a year of 365 days and charged for the actual number of days elapsed. However, all principal and interest amounts calculated hereunder are subject to adjustment in the event that a court or legislative

determination that the calculations of the LAIF Rate should be calculated differently than as set forth in this Agreement.

3. Repayment; Term. The Loans shall be repaid in semi-annual installments in an amount not to exceed the sum determined pursuant to Health and Safety Code Section 34191.4(b)(2)(A) (i.e., in the aggregate, the payments made in each fiscal year shall not exceed one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in each fiscal year and the amount distributed to the taxing entities pursuant to that paragraph in the 2012-13 base year). Payments shall be applied first to accrued interest, and then to outstanding principal.

If the amount of funds available to be distributed by the Santa Cruz County Auditor-Controller from the Redevelopment Property Tax Trust Fund for any ROPS period is not sufficient to fully fund the other enforceable obligations on the ROPS, payments due on the Loans, and the administrative costs of the Successor Agency for that period, then the amount of the Loan payments due shall be reduced to the extent necessary to fully fund the other enforceable obligations and administrative costs. The reduced Loan payments shall be applied first to accrued interest and then to outstanding principal. In that event, the unpaid portion of the payment shall be deferred and the term for repayment of the Loans shall be extended for additional, successive semi-annual ROPS periods as necessary until all outstanding principal and accrued interest has been repaid in full.

Based on current projections, the Parties anticipate that the Loans will repaid in full by not later than 2022.

4. Use of Loan Repayment Funds. The City shall use the Loan repayments in accordance with the requirements of Health and Safety Code Section 34191.4(b)(2)(B) and (C) to repay any amounts previously borrowed from the Low and Moderate Income Housing Fund of the Redevelopment Agency (if any) and to fund the City's Low and Moderate Income Housing Asset Fund established by the City in its capacity as the housing successor to the Redevelopment Agency. Any repayment amounts remaining after the foregoing obligations are satisfied may be used by the City for purposes identified in the discretion of the City Council.

5. Subordination. Notwithstanding any contrary provision hereof, the Parties agree that the Successor Agency's obligation to repay the Loans shall be subordinate to the pledge of tax increment revenue for the payment of debt service on tax allocation bonds or other indebtedness issued by the Redevelopment Agency, the payment of the Successor Agency's other enforceable obligations, and the payment of the Successor Agency's administrative costs.

6. Amendments. No amendment to or modification of this Agreement shall be effective unless and until such amendment or modification is in writing, properly approved in accordance with applicable procedures, and executed by the Parties.

7. Severability. If any term, provision, covenant, or condition set forth in this Agreement is held by the final judgment of a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions, covenants, and conditions shall continue in full force and effect to the extent that the basic intent of the Parties as expressed herein can be

accomplished. In addition, the Parties shall cooperate in good faith in an effort to amend or modify this Agreement in a manner such that the purpose of any invalidated or voided provision, covenant, or condition can be accomplished to the maximum extent legally permissible.

8. No Third-Party Beneficiaries; Assignments. Nothing in this Agreement is intended to create any third-party beneficiaries to this Agreement, and no person or entity other than the Successor Agency and the City, and the permitted successors and assigns of either of them, shall be authorized to enforce the provisions of this Agreement.

9. Further Assurances. Each Party agrees to execute, acknowledge and deliver all additional documents and instruments, and to take such other actions as may be reasonably necessary to carry out the intent of the transactions contemplated by this Agreement.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument.

***SIGNATURES ON FOLLOWING PAGES.***

**IN WITNESS WHEREOF**, the Parties have executed this Agreement effective as of the date first written above.

**CITY:**

**SUCCESSOR AGENCY:**

**CITY OF WATSONVILLE**

**SUCCESSOR AGENCY TO THE  
REDEVELOPMENT AGENCY OF THE  
CITY OF WATSONVILLE**

By: \_\_\_\_\_  
Carlos Palacios, City Manager

By: \_\_\_\_\_  
Carlos Palacios, City Manager

Attest: \_\_\_\_\_  
City Clerk

Attest: \_\_\_\_\_  
Secretary

Approved as to form:

Approved as to form:

By: \_\_\_\_\_  
City Attorney

By: \_\_\_\_\_  
Successor Agency Counsel