

**AGENDA  
OVERSIGHT BOARD TO THE  
CITY OF SAN DIMAS SUCCESSORY AGENCY**

**NOVEMBER 17, 2016 4:00 P.M.  
SAN DIMAS COUNCIL CHAMBERS CONFERENCE ROOM  
245 EAST BONITA AVENUE  
SAN DIMAS, CA 91773**

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1. Call to Order
2. Approval of Minutes of July 21, 2016
3. Review and Consideration of Resolution No. 39 – A Resolution of the Oversight Board of the former San Dimas Redevelopment Agency reaffirming the finding that the loans previously entered into between the City of San Dimas and the former San Dimas Redevelopment Agency were for legitimate redevelopment purposes and therefore enforceable obligations under HSC Section 34191.4 (b) and approving the same and new interest and payment schedules
4. Update on the disposition of Successor Agency owned property at 344 W. Bonita Ave.
5. Reports from Staff
6. Public Comment
7. Reports of Board Members
8. Adjournment – Next Regular Scheduled Meeting Thursday, January 19, 2107, 4:00 p.m.

MINUTES  
OVERSIGHT BOARD TO THE  
CITY OF SAN DIMAS SUCCESSOR AGENCY

JULY 21, 2016 4:00 P.M.  
SAN DIMAS COUNCIL CHAMBERS CONFERENCE ROOM  
245 E. BONITA AVENUE  
SAN DIMAS, CA 91773

**Present:** Board Members Curt Morris, Bonnie Bowman, A.F. Feldbush, David Hall, Ann Sparks, Brian Stiger

**Absent:** Larry Stevens

**Successor Agency Staff:** City Manager Blaine Michaelis, Assistant City Manager Ken Duran, Administrative Services Manager Michael O'Brien, Accounting Supervisor Steven Valdivia, City Attorney Mark Steres

**CALL TO ORDER**

Chair Morris called the meeting to order at 4:00 p.m.

**APPROVAL OF MINUTES OF SEPTEMBER 8, 2015**

Board member Feldbush made a motion to approve the minutes of January 21, 2016 as submitted. The motion was seconded by Board member Hall and passed by a unanimous vote.

**RECEIVE A REPORT REGARDING THE PROCESS TO SOLICIT PROPOSALS FOR THE DEVELOPMENT OF THE SUCCESSOR AGENCY OWNED PROPERTY AT 344 BONITA AVE. AND THE ACTION TO PROCEED WITH AN EXCLUSIVE NEGOTIATING AGREEMENT WITH EXCEL HOTEL GROUP**

Mr. Michaelis presented his report on this item. He reviewed the history of conducting a hotel feasibility study and the Request for Qualifications for potential developers. He reported that the Successor Agency Board authorized staff to go forward and work towards an Exclusive Negotiating Agreement with Excel Hotel Group and to proceed with an appraisal of the property.

Mr. Michaelis explained that the Oversight Board will ultimately be involved in approving the sales price for the property. Mr. Steres clarified the Oversight Boards role in the land disposition process.

In response to a question, Mr. Michaelis commented that the developer presented their bank relationship as well as they will bring their own resources to the project. Also in response to a question, he commented that the developer has prior experience working with developer partners on additional commercial uses on projects. Also in response to a question, he commented that the feasibility study looked at current market conditions for existing hotels and felt that the market could absorb additional rooms.

Board member Sparks made a motion to receive and file the report regarding the update of the property disposition. The motion was seconded by Board member Bowman and passed unanimously.

**APPROVE AN AGREEMENT WITH COLLIER INTERNATIONAL VALUATION & ADVISORY SERVICES FOR THE APPRAISAL OF THE 344 BONITA AVE. PROPERTY**

Mr. Michaelis reported that in order to assist with determining the value of the property as the Agency proceeds with ENA negotiations staff is recommending obtaining an appraisal of the property. He added that the Agency and its consultant obtained five quotes from appraisers and is recommending Collier International Valuation and Advisory Services. Mr. Duran added that the Board needs to authorize the expenditure for the appraisal so that it can be included as an enforceable obligation on a future ROPS.

Mr. Duran read Resolution 39 by title. Board member Feldbush motion a motion to waive further reading and adopt Resolution 39. The motion was seconded by Board member Bowman and passed unanimously.

**REPORT ON THE CITY LOAN APPROVAL PROCESS**

Mr. Duran provided a summary of his report on the background of the approval process for the prior City loans from the City to the Agency. He added that the Agency will be in a position to include the loans on the ROPS 17 – 18 which will be reviewed in February 2017. He informed the Board that in anticipation of this action the Board will be again consider the loans at their next meeting in September.

**REPORTS FROM STAFF**

None

**PUBLIC COMMENT**

None

**REPORTS FROM BOARD MEMBERS**

None

**ADJOURNMENT**

There being no further business Chair Morris adjourned the meeting at 4:35 p.m.



## Oversight Board Staff Report

**DATE:** November 17, 2016  
**TO:** Successor Agency Oversight Board  
**FROM:** Ken Duran, Assistant City Manager  
**SUBJECT:** City Loans Approval – Resolution No. 39

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### **BACKGROUND**

Since the initial ROPS discussions with the Oversight Board, Agency staff has provided information to the Board regarding loans from the City to the former Redevelopment Agency, collectively referred to as City loans. There are in actuality three separate loans, referred to as the Creative Growth loan, Walker House loan and Rancho loan. The general description of each loan, as we have presented in the past is as follows:

- **Loan to Creative Growth** – Redevelopment Agency projects typically take many years to accomplish their projects. It is not unusual for property acquisitions involving multiple owners, environmental issues, competing business relationships, deed and title issues, property availability, and seller expectations to take 10 years or more per project. Therefore the need for money comes in increments. Examples include \$400,000 to close on a property purchase, \$40,000 in business relocation assistance, \$75,000 for engineering services, and the need for \$1.5 million to complete infrastructure improvements when certain elements of a project break free.

Redevelopment resources grow very slowly and therefore need to borrow money to move projects forward. In those formative years Redevelopment cannot always demonstrate the financial capacity to secure the level of needed financing. Therefore a host city can play a role in helping an Agency bridge the decades of time to complete projects until the resources of the Agency are then sufficient to repay those loans. San Dimas was in a position to make incremental loans through the years. Not only did those loans provide timely assistance; they were also very cost effective, to the agency saving several hundred thousands of dollars in bond issuance costs.

In 2001 the city prepared a refinancing and consolidation of the remaining principal due for these loans into a 30 year loan at 5.5% interest. The Successor

Agency is considering this the origination of this City loan. The principal due on this loan was \$9,408,969.67 with annual payments of \$647,378.

- **Loan CRA for Walker House** – In late 2000 the city was introduced to the opportunity to restore/renovate the most significant historical structure in our community – the Walker House built in 1887. The Agency adopted the required findings, actively secured several grants to assist with the project, and obtained historic tax credits to work with redevelopment tax increment money to complete the project. To make the project more cost effective, the city acted as the 'bank' to loan the net amount needed after grants to complete the project. Alternatively, a tax allocation bond financing would have added several hundred thousand dollars to the project and financing cost. The loan was finalized in June 2009 with a 20 year term at 5.5% interest. Principal due \$6,523,256 – annual payments \$546,177. The total project cost was \$11.177 million.
- **Loan to Rancho San Dimas** – Rancho San Dimas is a project area that worked several years to accomplish the Target Center. The city provided incremental loans as needed through the years to complete the project. Upon completion of the project in 1997 the city's assistance was consolidated into a 37 year loan at 4% interest. Principal due \$1,218,307 – annual payments \$64,015.26.

At the time of dissolution, June 30, 2011, the outstanding principal due for these three loans is described in the chart below.

PROJECT	PRINCIPAL DUE
Creative Growth	\$7,736,532.19
Rancho	\$964,199.96
Walker House	\$5,929,571,.92
<b>TOTAL</b>	<b>\$14,630,304.07</b>

As the Board is aware from previous discussions the initial adoption of ABx1 26 did not recognize prior loans from cities as enforceable obligations. However, the adoption of AB 1484 provided for provisions for the partial repayment of these loans under certain conditions. Those conditions included:

1. Loans can begin to be included as enforceable obligations once an Agency has been given a Finding of Completion. (HSC section 34191.1)
2. The Oversight Board must make a finding that prior loan agreements entered into by the City and former Redevelopment Agency were for legitimate redevelopment purposes. (HSC section 34191.4 (b) (1))
3. If the Board finds that the loan is an enforceable obligation that the accumulated interest on the remaining principal amount of the loan shall be recalculated from

- the origination at the interest rate earned by funds deposited into the Local Agency Investment Fund (LAIF). (HSC section 34191.4 (b) (2))
4. The loan shall be repaid to the City in accordance with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest earned by funds deposited into LAIF. (HSC section 34191.4 (b) (2))
  5. Loan repayments shall not be made prior to 2013-14 fiscal year.
  6. There is a maximum annual payment amount for City loans and SERAF loans combined based upon a formula as outlined in HSC section 34191.4 (b) (2) (A).
  7. Repayments received by the City shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund (SERAF) (HSC section 34191.4 (b) (2) (b))
  8. Twenty percent of any loan repayment shall be deducted from the loan repayment amount and transferred to the Low and Moderate Income Housing Asset Fund; after all outstanding loans from the Low and Moderate Income Housing Funds (SERAF loans) have been paid. (HSC section 34191.4 (b) (2) (C))

In anticipation of including the City Loans on a future ROPS, in February 2014 the Oversight Board reviewed the three outstanding City loans and approved Resolution No. 23 finding that the loans previously entered into between the City of San Dimas and the former San Dimas Redevelopment Agency were for legitimate redevelopment purposes and therefore enforceable obligations and approved a loan consolidation with a new interest and payment schedule. The Resolution was submitted to the Department of Finance for review and consideration. The Department of Finance's determination in 2014 was as follows:

*"While the OB made a finding the loans were for a legitimate redevelopment purposes, the Agency was unable to provide signed and executed loan agreements to substantiate their validity. HSC section 34191.4 (b) specifically references "loan agreements". Finance does not believe the support provided constitutes a loan agreement. Absent executed loan agreements, the Agency cannot demonstrate a promise to repay, an amount borrowed, or whether mandatory repayment terms exist".*

Although at the time of receiving DOF's response the Agency disagreed with the Department's determination, since the loans were not ripe for repayment on the upcoming ROPS, the Agency declined to challenge the determination further at that time.

In September 2015 the State Legislator approved, and the Governor signed SB 107, legislation which made a number of changes to the dissolution process for former Redevelopment Agencies. Among those changes were a couple of items that impacted the definition and interest rate calculation of city loans

- Repayment of prior City Loans – SB 107 changed the definition of "loan agreement" in HSC section 34191.4 (b) (2) to – "Loans for money under which the city transferred cash to the former RDA for use for a lawful purpose and where the former RDA was obligated to repay the money pursuant to a required repayment schedule." We had always felt that our City/Agency loans met the

definition under the previous definition. This new language should clarify the definition such that our loans fall under this definition

- Interest Rate for City Loans – The interest rate applied to City loans is more clearly defined as 3% simple interest calculated on the outstanding principal from the date of origination. This rate, though not as favorable as the original interest rate on the loans, is more favorable to us than the prior interest rate language. There is still a question as to how to calculate the 3% interest back to loan origination.

## DISCUSSION

The Oversight Board has reviewed the three City loans on several occasions. A summary of the documentation previously reviewed by the Board supporting each loan is attached as Exhibit "A". In February 2104 the Board approved Resolution No. 23 finding that the loans previously entered into between the City of San Dimas and the former San Dimas Redevelopment Agency were for legitimate redevelopment purposes and therefore enforceable obligations and approved a loan consolidation with a new interest and payment schedule. The DOF denied the loans because there was not an executed "loan agreement" for the loans despite the fact that each of the three loans were approved by both public entities at public meetings with a specific interest rate and payment schedule. The Agency made annual payments on each of the loans according to the schedule from loan origination until the dissolution of the Agency in 2012. Each of the three loans meets the definition of loan agreement under HSC 34191.4 (b) (2) -- specifically that the transfer of cash to the former RDA was for a lawful purpose and the RDA was obligated to repay the money pursuant to a required payment schedule.

SB 107 clarified the definition of City loans by amending HSC section 34191.4 (b) (2) to – "Loans for money under which the city transferred cash to the former RDA for use for a lawful purpose and where the former RDA was obligated to repay the money pursuant to a required repayment schedule." Under the revised definition it is even clearer that the three City loans meet the definition of City loans and are enforceable obligations.

SB 107 also established the interest rate that should be applied to outstanding City loans. The interest rate applied to City loans is more clearly defined as 3% simple interest calculated on the outstanding principal from the date of origination. This rate, though not as favorable as the original interest rate on the loans, is more favorable to us than the prior interest rate language.

The following is a chart describing each of the loans using the recalculation method:

LOAN	PRINCIPAL DUE	INTEREST EARNED ON FIXED 3%	TOTAL DUE 12/31/16
Creative Growth	\$7,736,532.19	\$4,558,784.95	\$12,295,317.14
Rancho	\$964,199.96	\$704,892.67	\$1,669,092.63
Walker House	\$5,929,571.92	\$1,701,974.36	\$7,631,546.28
<b>TOTAL</b>	<b>\$14,630,304.07</b>	<b>\$6,965,651.98</b>	<b>\$21,595,956.05</b>

Previous action by the Board in Resolution 23 was to consolidate the three loans into one new loan. At this point staff's recommendation is to keep them as three separate loans so they can be analyzed separately. If all are approved it may be prudent to consolidate them into one for ROPS submittal in the future.

### **RECOMMENDATION**

Under the timing for the inclusion of city loans for repayment on the annual ROPS, the Agency will be eligible to include our loans on the ROPS 17-18 next year. In anticipation of this, staff is recommending that the Board review the city loans and new interest calculations and approve Resolution No. 39, reaffirming the three City loans as enforceable obligations and approve the new interest rate calculation and payment schedule.

## Exhibit "A"

### Summary of City Loan Documentation

#### CREATIVE GROWTH

- City Council and Redevelopment Agency agenda, staff report and minutes from August 14, 2001 meeting when the consolidated loan and revised payment schedule was approved.
- Spreadsheet showing the history of the loan dating back to 1980 and the annual payments made, including from the revised schedule in 2001 to the dissolution in 2010. Copies of actual journal entries of loan payments can be provided if necessary.
- City and Redevelopment Audited Financial Statements for 2010 identifying the loan obligation from the RDA to the City as debt obligation for the Agency and receivable to the City. Previous years Audited Financial Statements identifying the same can also be provided.

#### RANCHO SAN DIMAS

- City Council and Redevelopment Agency agenda, staff report and minutes from the October 28, 1997 meeting when the Rancho San Dimas Redevelopment Project loan was approved.
- Spreadsheet showing the history of loan payments made pursuant to the approved loan payment schedule from 1997 to 2010. Copies of the actual journal entries of loan payments can be provided if necessary.
- City and Redevelopment Agency Audited Financial Statements for 2010 identifying the loan obligation from the RDA to the City as debt obligation for the Agency and receivable to the City. Previous years Audited Financial Statements identifying the same can also be provided.

#### WALKER HOUSE

- City Council and Redevelopment Agency agenda, staff report and minutes from the June 9, 2009 meeting approving the loan agreement and payment schedule for the Walker House restoration project.
- Resolution No. 07-06 of the City approving and authorizing the San Dimas Redevelopment Agency to pay for the acquisition and historic restoration of the Walker House

- Resolution No. 184 San Dimas Redevelopment Agency authorizing and approving the use of tax increments to pay for the acquisition and historic restoration of the Walker House.
- City and Redevelopment Agency Audited Financial Statement for 2010 identifying the loan obligation from the RDA to the City as debt obligation for the Agency and receivable to the City. Previous years Audited Financial Statements identifying the same can also be provided.

## RESOLUTION NO. 39

### **A RESOLUTION OF THE OVERSIGHT BOARD OF THE FORMER SAN DIMAS REDEVELOPMENT AGENCY REAFFIRMING THE FINDING THAT LOANS PREVIOUSLY ENTERED INTO BETWEEN THE CITY OF SAN DIMAS AND THE FORMER SAN DIMAS REDEVELOPMENT AGENCY WERE FOR LEGITIMATE REDEVELOPMENT PURPOSES AND THEREFORE ENFORCABLE OBLIGATIONS UNDER HSC SECTION 34191.4 (b) AND APPROVING THE SAME AND A NEW INTEREST AND PAYMENT SCHEDULE**

WHEREAS, the California Health and Safety Code provides that loans made from a City to a former Redevelopment Agency (City Loans) may be considered enforceable obligations and included on Recognized Payment Obligation Schedules (ROPS) if certain criteria are met; and

WHEREAS, the Oversight Board (Board) of the former San Dimas Redevelopment Agency has reviewed the criteria provided for under the Health and Safety Code; and

WHEREAS, the Board has reviewed the definition of "city loans" pursuant to HSC 34191.4 (b); and

WHEREAS, at the November 17, 2016 Board meeting the Board reviewed the staff report and attachments that provided the background, history and documentation supporting the three City Loans; and

WHEREAS, the Board has reviewed the schedules which recalculates the interest rates and establishes a new repayment schedules for the three City Loans.

NOW THEREFORE, THE OVERSIGHT BOARD DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. The above recitals are true and correct and are a substantive part of this Resolution.

SECTION 2 The Board finds that the Agency received its Finding of Completion on April 26, 2013 from the State Department of Finance.

SECTION 3 The Board has reviewed the November 17, 2016 staff report and attachments that provided the background, history and documentation supporting the previously issued three City Loans and finds that the prior loan agreements entered into by the City and former Redevelopment Agency were for legitimate redevelopment purposes.

SECTION 4 The Board has reviewed the definition of "city loans" pursuant to HSC 34191.4 (b) and finds that the three City Loans, as identified in Exhibit "A" attached hereto, were each entered into by the City of San Dimas and the San Dimas Redevelopment Agency and the documentation for the loans supports that they are loans as defined by HSC 34191.4 (b).

SECTION 4. The Board hereby approves new payment schedules as set forth in Exhibit "B" attached hereto for the three City Loans based upon the recalculation of the interest rate based upon the interest rate authorized in HSC 34191.4 (b) (3).

SECTION 5. The Board sets forth that the annual repayment schedule shall be subject to the repayment at an amount that is equal to the maximum amount available under the repayment schedule as specified under HSC Section 34191.4 (b) (A).

I HEREBY CERTIFY that the foregoing Resolution was introduced and passed by the Oversight Board of the Successor Agency to the former San Dimas Redevelopment Agency, at its meeting of November 17, 2016 by the following vote:

AYES:

NOES:

ABSENT:

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CHAIR, OVERSIGHT BOARD

ATTEST:

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SECRETARY, OVERSIGHT BOARD

EXHIBIT "A"

CITY LOANS

LOAN DESCRIPTION	PRINCIPAL AMOUNT DUE JUNE 30, 2011
Creative Growth	\$7,736,532.19
Rancho San Dimas	\$964,199.96
Walker House	\$5,929,571.92

EXHIBIT "B"

CITY LOAN INTEREST RECALCULATION

<b>LOAN DESCRIPTION</b>	<b>PRINCIPAL DUE</b>	<b>INTEREST EARNED ON FIXED 3%</b>	<b>TOTAL DUE 12/31/16</b>
Creative Growth	\$7,736,532.19	\$4,558,784.95	\$12,295,317.14
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