

**RESOLUTION NO. 7580**

**CITY OF SOUTH GATE  
LOS ANGELES COUNTY, CALIFORNIA**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
SOUTH GATE APPROVING AN AGREEMENT TO RE-  
ESTABLISH LOAN PURSUANT TO SECTION 34191.4 BY AND  
BETWEEN THE CITY OF SOUTH GATE AND THE SUCCESSOR  
AGENCY TO THE COMMUNITY DEVELOPMENT  
COMMISSION OF THE CITY OF SOUTH GATE**

**WHEREAS**, the City of South Gate (“City”) is a municipal corporation organized and operating under the laws of the State of California; and

**WHEREAS**, the Community Development Commission of the City of South Gate (“Agency”) previously was a public body, corporate and politic formed, organized, existing and exercising its powers pursuant to Section 34100, et seq. of the California Health and Safety Code, and exercised the powers, authority, functions, jurisdiction of a community redevelopment agency formed, organized, existing and exercising its powers pursuant to the California Community Redevelopment Law, Health and Safety Code, Section 33000, et seq., and specifically formed by the City Council (“City Council”) of the City of South Gate (“City”); and

**WHEREAS**, Assembly Bill x1 26 added Parts 1.8 and 1.85 to Division 24 of the California Health and Safety Code, which caused the dissolution of all redevelopment agencies and wind down of the affairs of former agencies, including as such laws were amended by Assembly Bill 1484 (together, the “Dissolution Laws”); and

**WHEREAS**, as of February 1, 2012 the former Agency was dissolved pursuant to the Dissolution Laws and as a separate public entity, corporate and politic the Successor Agency to the Community Development Commission of the City of South Gate (“Successor Agency”) administers the enforceable obligations of the former Agency and otherwise unwinds the former Agency’s affairs, all subject to the review and approval by a seven-member oversight board (“Oversight Board”); and

**WHEREAS**, the City of South Gate is a California municipal corporation and the sponsoring community of the Successor Agency under the Dissolution Laws; and

**WHEREAS**, Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the affected taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Laws; and

[Remainder of page left blank intentionally]

WHEREAS, the City and Successor Agency desire to enter into that certain *Agreement to Re-Establish Loan Pursuant to Section 34191.4* pursuant to the Dissolution Laws.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SOUTH GATE DOES HEREBY RESOLVE AS FOLLOWS:**

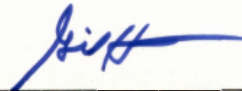
**SECTION 1.** The foregoing recitals are incorporated into this Resolution by this reference, and constitute a material part of this Resolution and such Recitals evidence the intent of the parties regarding the Agreement and loan thereunder.

**SECTION 2.** Pursuant to the Dissolution Laws, the City approves the Agreement to Re-Establish Loan Pursuant to Section 34191.4 submitted herewith as Attachment 1. hereto, which Agreement is incorporated herein by this reference.

**SECTION 3.** The City Clerk shall certify to the adoption of this Resolution which shall be effective upon its adoption.

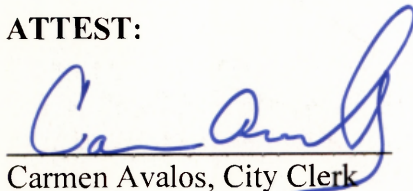
**PASSED, APPROVED and ADOPTED** on the 11<sup>th</sup> day of **February 2014**.

**CITY OF SOUTH GATE:**



\_\_\_\_\_  
Gil Hurtado, Mayor

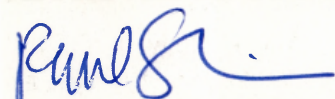
**ATTEST:**



\_\_\_\_\_  
Carmen Avalos, City Clerk

(Seal)

**APPROVED AS TO FORM:**



\_\_\_\_\_  
Raul F. Salinas, City Attorney

ATTACHMENT 1.

**AGREEMENT TO RE-ESTABLISH LOAN PURSUANT TO SECTION 34191.4**

This **AGREEMENT TO RE-ESTABLISH LOAN PURSUANT TO SECTION 34191.4** ("Agreement") is made, entered into and executed in duplicate originals, either copy of which may be considered and used as the original hereof for all purposes, as of this 24<sup>th</sup> day of February 2014 by and between the **CITY OF SOUTH GATE**, a California municipal corporation ("City") and the **SUCCESSOR AGENCY TO THE COMMUNITY DEVELOPMENT COMMISSION OF THE CITY OF SOUTH GATE**, a public body, corporate and politic pursuant to Parts 1.8 and 1.85 of Division 24 of the California Health & Safety Code ("Successor Agency"). The City and Successor Agency may be referred to each as a Party or together as the Parties. Both Parties' address is 8650 California Avenue, South Gate, California 90280.

**RECITALS**

**A.** The City is a municipal corporation organized and operating under the laws of the State of California.

**B.** The Successor Agency is a public body corporate and politic, organized and operating under Parts 1.8 and 1.85 of Division 24 of the California Health and Safety Code, and the successor the South Gate Community Development Commission in its capacity as a redevelopment agency activated and operating under Part 1 of Division 24 of the California Health & Safety Code ("former Agency") that was previously a community redevelopment agency organized and existing pursuant to the Community Redevelopment Law, Health and Safety Code Section 33000, *et seq.* ("CRL").

**C.** Assembly Bill x1 26 ("AB x1 26") added Parts 1.8 and 1.85 to Division 24 of the California Health & Safety Code and which laws were modified, in part, and determined constitutional by the California Supreme Court in the petition *California Redevelopment Association, et al. v. Ana Matosantos, et al.*, Case No. S194861 ("*Matosantos Decision*"), which laws and court opinion caused the dissolution of all redevelopment agencies and winding down of the affairs of former redevelopment agencies; thereafter, such laws were amended further by Assembly Bill 1484 ("AB 1484") (together AB x1 26, the *Matosantos Decision*, and AB 1484 are referred to as the "Dissolution Laws"). All statutory references herein are to the Health and Safety Code of the Dissolution Laws unless otherwise stated.

**D.** As of February 1, 2012 the former Agency was dissolved pursuant to the Dissolution Laws and as a separate public entity, corporate and politic the Successor Agency administers the enforceable obligations of the former Agency and otherwise unwinds the former Agency's affairs, all subject to the review and approval by a seven-member oversight board ("Oversight Board").

**E.** Section 34179 provides that the Oversight Board has fiduciary responsibilities to holders of enforceable obligations and the affected taxing entities that benefit from distributions of property tax and other revenues pursuant to Section 34188 of Part 1.85 of the Dissolution Act.

**F.** Section 34177(a) permits the Successor Agency to make payments due for enforceable obligations.

G. Section 34177(l) requires the Successor Agency to prepare a Recognized Obligation Payment Schedule ("ROPS") before each six-month fiscal period that lists its Enforceable Obligations.

H. Section 34191.4(b) authorizes the City and Successor Agency to re-establish prior loan agreement(s) between the City and the former Agency as follows:

"(1) Notwithstanding subdivision (d) of Section 34171, upon application by the successor agency and approval by the oversight board, loan agreements entered into between the redevelopment agency and the city, county, or city and county that created by the redevelopment agency shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the loan was for legitimate redevelopment purposes.

(2) If the oversight board finds that the loan is an enforceable obligation, the accumulated interest on the remaining principal amount of the loan shall be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund [LAIF]. The loan shall be repaid to the city, county, or city and county 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 the Local Agency Investment Fund. The annual loan repayments provided for in the recognized obligations payment schedules shall be subject to all of the following limitations:

(A) Loan repayments shall not be made prior to the 2013-14 fiscal year. Beginning in the 2013-14 fiscal year, the maximum repayment amount authorized each fiscal year for repayments made pursuant to this subdivision and paragraph (7) of subdivision (e) of Section 34176 combined shall be equal to one-half of the increase between the amount distributed to the taxing entities pursuant to paragraph (4) of subdivision (a) of Section 34183 in that fiscal year and the amount distributed to taxing entities pursuant to that paragraph in the 2012-13 base year. Loan or deferral repayments made pursuant to this subdivision shall be second in priority to amounts to be repaid pursuant to paragraph (7) of subdivision (e) of Section 34176.

(B) Repayments received by the city, county or city and county that formed the redevelopment agency shall first be used to retire any outstanding amounts borrowed and owed to the Low and Moderate Income Housing Fund [LMIHF] of the former redevelopment agency for purposes of the Supplemental Educational Revenue Augmentation Fund [SERAF] and shall be distributed to the Low and Moderate Income Housing Asset Fund established by subdivision (d) of Section 34176.

(C) Twenty percent of any loan repayment shall be deducted from the loan repayment amount and shall be transferred to the Low and Moderate Income Housing Asset Fund, after all outstanding loans from the Low and Moderate Income Housing Fund for purposes of the Supplemental Educational Revenue Augmentation Fund have been paid."

I. The City and the former Agency entered into that certain Loan Agreement dated as of February 19, 2002 ("Original Loan Agreement") under which the City loaned \$12,000,000 to the former Agency in order for the former Agency to undertake and complete various land improvement

projects, which projects were intended to eliminate blight and to advance other legitimate redevelopment purposes under the CRL.

J. In 2002 in connection with its approval of the Original Loan Agreement, the City Council, on behalf of the City and as the legislative body of the former Agency, determined that funding for the land improvement projects was not otherwise available to the former Agency and the City then had funds available in its General Fund to loan to the former Agency for such legitimate redevelopment projects that were determined consistent with the former Agency's redevelopment purposes.

K. Pursuant to the Original Loan Agreement the City loaned funds to the former Agency, as approved from time to time by the City Council, and the terms of such Original Loan Agreement required the former Agency to repay the City as and when tax increment revenues were available for repayment thereof ("City/Agency Loan"). A total of \$12,000,000 was advanced and loaned by the City to the former Agency for redevelopment purposes, and thereafter pursuant to the Original Loan Agreement loan repayments were made from available tax increment that reduced the loan amount due on the City/Agency Loan as of June 30, 2010 to \$3,388,080. The current principal balance remains at \$3,388,080 because the DOF disallowed payments made to the City during the period July 1, 2010 through June 30, 2012.

L. During the DOF's review of the Successor Agency's other available funds due diligence review under the Dissolution Laws, the DOF disallowed the Original Loan Agreement as an enforceable obligation and issued its decision rejecting the entire amount due under this City/Agency and demanded and received repayment of all sums repaid during the period January 1, 2011 to June 30, 2012. The Original Loan Agreement established an interest rate for the City/Agency Loan of 3.5%, which rate for quite a few of the years between 2002 to 2010 was below the interest rate earned by funds deposited into the Local Agency Investment Fund ("LAIF").

M. Section 34191.4 of the Dissolution Laws authorizes the Successor Agency to re-establish the City/Agency Loan after the issuance of a finding of completion. By letter dated May 24, 2013, the DOF issued to the Successor Agency a finding of completion.

N. By this certain *Agreement to Re-Establish Loan Pursuant to Section 34191.4* ("Agreement") the City and Successor Agency desire to re-enter into and re-establish the City/Agency Loan established by the Original Loan Agreement on terms and conditions that conform to and are set forth herein pursuant to Section 34191.4 of the Dissolution Laws.

O. Further, by this Agreement the City and Successor Agency intend to establish a repayment schedule as set forth in that certain Schedule of City/Agency Loan Repayment, attached as Exhibit A hereto and fully incorporated by this reference, for the re-established City/Agency Loan with repayment of the remaining principal balance of \$3,388,080 to occur over a reasonable term of years at an interest rate accruing at the LAIF rate, and the Parties agree to list this Agreement with the re-established City/Agency Loan as an enforceable obligation of the Successor Agency on each successive ROPS prepared by the Successor Agency (commencing with ROPS 14-15A), and as approved by the Oversight Board, then reviewed and approved by the DOF until such loan is repaid in full both principal and interest.

P. The former Agency did not borrow any monies from its low to moderate income housing fund to make any State-mandated ERAF/SERAF payments.

**NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:**

1. Recitals. The City and Successor Agency represent and warrant to each other that each and all of the respective recitals are true and correct, are a material part hereof, and are hereby incorporated into this Agreement by reference as if fully set forth and such Recitals evidence the intent of the parties regarding the City/Agency Loan.

2. Loan Amount. The City and Successor Agency reinstate the City/Agency Loan in a principal loan amount of \$3,388,080 ("Loan Amount"), which was the principal amount due and owing on the City/Agency Loan as of June 30, 2010.

3. Interest. The Loan Amount shall accrue interest at the LAIF rate of interest, which is the rate earned by the City on other short-term investments of the City, compounded daily, and as computed by the City's Assistant City Manager/Finance Director.

4. Payment. The Successor Agency agrees to repay the principal and all accrued interest bi-annually corresponding to the time that is within ten (10) days of the date that the Successor Agency receives monies allocated from the Redevelopment Property Tax Trust Fund ("RPTTF") for this Agreement and City/Agency Loan as an enforceable obligation as listed on the applicable ROPS for each six-month fiscal period until repaid in full pursuant to the provisions of the Dissolution Laws. The estimated Schedule of City/Agency Loan Repayment is set forth in Exhibit A hereto.

5. Penalty. In the event the Successor Agency fails to make payment in full as required under this Agreement, the Successor Agency shall pay to the City a late charge of one percent (1%) of the overdue amount and an additional one percent (1%) of the overdue amount for each calendar month such amount remains unpaid. Any unpaid portion of the loan will continue to accrue interest at the rate provided in Section 2 until paid in full.

6. Loan for Legitimate Redevelopment Purpose; Submittal of Agreement to Oversight Board and DOF. The Successor Agency agrees to submit this Agreement to the Oversight Board for its review, approval and determination that the Original Loan Agreement was for a legitimate redevelopment purpose. Thereafter, this Agreement shall be submitted to the DOF for its review and approval pursuant to the Dissolution Laws.

7. Successor Agency to List Agreement as an Enforceable Obligation on Each ROPS until the Loan is Repaid. The Successor Agency agrees to list this Agreement and the City/Agency Loan thereof enforceable obligations on each ROPS during each six-month fiscal period until repaid in full pursuant to the provisions of the Dissolution Laws, with the amount of the listed enforceable obligation to be the Loan Amount (or such lesser amount as remains outstanding.)

8. Further Assurances to Bond Purchasers and Holders. The City and the Successor Agency, as applicable, agree to execute any and all ancillary documents as may reasonably be requested by legal counsel, an underwriter, or a holder or purchaser of bonds, notes or other forms of indebtedness of the Successor Agency secured by monies from the RPTTF that have been or as may be hereafter be pledged therefor.

9. Term. This Agreement shall be in full force and effect from the Date of Agreement until such time as the entire Loan Amount of the City/Agency Loan has been repaid in full.



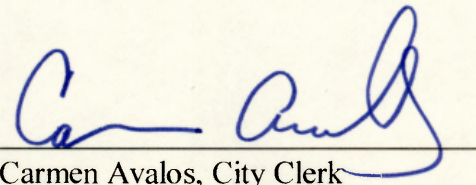
**RESOLUTION CERTIFICATION PAGE**

**STATE OF CALIFORNIA**            )  
**COUNTY OF LOS ANGELES**    )     **SS**  
**CITY OF SOUTH GATE**         )

I, Carmen Avalos, City Clerk of the City of South Gate, California, hereby certify that the whole number of Members of the City Council of said City is five; that Resolution No. 7580 was adopted by the City Council at their Special Meeting held on February 11, 2014, by the following vote:

Ayes:            Council Members:    Hurtado, Gonzalez, Morales, Davila and De Witt  
Noes:            Council Members:    None  
Absent:          Council Members:    None  
Abstain:         Council Members:    None

Witness my hand and the seal of said City on February 12, 2014.

  
\_\_\_\_\_  
Carmen Avalos, City Clerk  
City of South Gate, California