

*Oversight Board for the Successor Agency of the City of
Brisbane
Agenda Report*

To: Oversight Board

From: Stuart Schillinger, Administrative Services Director

Subject: Adopt Resolutions OB 2016-01 and OB 2016-02 Approving the Successor Agency's Repayment of Loans Owed to the City of Brisbane

Date: January 27, 2016

Recommendation:

Adopt Resolution OB 2016-01 and OB 2016-02 which approving the Successor Agency's repayment of loans owed to the City of Brisbane.

Background:

The City of Brisbane made two loans to the Redevelopment Agency; one was done as part of the 2001 payoff of the debt originally used to build the Marina. The Marina was built by the Redevelopment Agency by borrowing money through the selling bonds. The bonds were to be paid back by the Tax Increment created within Redevelopment Area 1. Tax Increment is the increase in Property Tax after the Redevelopment Agency was created. If there were not enough property taxes available to make the bond payment then MetLife would pay the difference and this would become an obligation of the Redevelopment Agency. This happened many years at the beginning of the Agency. In 2001 the Redevelopment Agency had an opportunity to refinance the original bonds and payoff the debt owed to MetLife. When it did this the new bonds issued which were still backed by Tax Increment was \$2,295,996 short. This money was loaned from the City of Brisbane to the Redevelopment Agency with an expectation it would be repaid when the Redevelopment Agency generated enough tax increment to pay all of its current obligations. It had not done this prior to the dissolution of the Agency. Therefore the loan was still carried on the financial books of the City at the time the State dissolved Redevelopment Agencies. At that time the City brought this obligation to the Oversight board as part of the Recognized Obligation Schedule but never requested any payments towards it due to the way the dissolution law was written and other outstanding obligations including existing bond payments and money owed to the Housing Fund. With the passage of new State Law during the last legislative session the Successor Agency needs to have the Oversight Board approve that loan should be included on the Recognized Obligation Schedule.

The second loan which the Oversight Board needs to approve was a series of loans from the City to the Redevelopment Agency when the Tax Increment was not enough to cover all the obligations of the Agency including housing set aside and administrative costs. When this occurred the City of Brisbane loaned the money to the Redevelopment Agency with the expectation that it would be repaid when the Agency created enough Tax Increment to pay all of its current obligations. The loan was not repaid prior to the dissolution of the Agency. Therefore the loan was still carried on the financial books of the City at the time the State dissolved Redevelopment Agencies. At that time the City brought this

obligation to the Oversight board as part of the Recognized Obligation Schedule but never requested any payments towards it due to the way the dissolution law was written and other outstanding obligations including existing bond payments and money owed to the Housing Fund. With the passage of new State Law during the last legislative session the Successor Agency needs to have the Oversight Board approve that loan should be included on the Recognized Obligation Schedule.

Discussion:

During the last legislative session the State passed new legislation which may have negatively impacted the City's ability to collect on these obligations. The City Manager worked with our State Legislators, Assemblyman Kevin Mullin and Senator Jerry Hill, to ensure that these loans would be repaid. Our State Senator asked the State's Finance Director to work with our City Manager to ensure the loans could be repaid. The direction we received from the State Finance Department was to have the loans approved by resolution of the Oversight Board. Prior to doing this, the Successor Agency needs to ask the Oversight Board confirm these loans. The Oversight Board had discussed these loans when they were originally placed on the Recognized Obligation Schedule and told the City that they should be included.

Fiscal Impact:

The impact of this action will not have an immediate effect on the City's finances. The City will not be repaid until after other loans to the Housing are repaid. These include over \$4,000,000 worth of loans. Based on the current formula this could take about 15 years.

Measure of Success

The loans are ultimately repaid.

Attachments:

OB 2016-01

OB 2016-02



Stuart Schillinger

Administrative Services Director

RESOLUTION NUMBER OB 2016-01

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF BRISBANE REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A LOAN OWED TO THE CITY OF BRISANE

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 Brisbane ("Brisbane") previously established the Redevelopment Agency of the City of Brisbane ("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, an oversight board has been duly appointed for the dissolved Agency ("the Brisbane Oversight Board"); and

WHEREAS, prior to its dissolution, the Agency created the Sierra Point Redevelopment Plan and, as part of the Plan, the development of the Brisbane Marina was financed through the issuance of bonds ("the Marina Bonds") for which the payment of principal and interest to bondholders was guaranteed by the MetLife Insurance Company ("MetLife"); and

WHEREAS, because of market delays in the construction of improvements contemplated by the Sierra Point Redevelopment Plan, the revenue generated by the project area was insufficient to pay all of the debt service on the Marina Bonds, thereby causing MetLife to make continuing payments to cover the deficits; and

WHEREAS, under the terms of the loan documents pertaining to the MetLife guarantee, the Agency was obligated to repay MetLife for all amounts advanced for debt service on the Marina Bonds, together with interest thereon; and

WHEREAS, for the purposes of reducing the indebtedness owed by the Agency to MetLife and also to provide additional savings by a reduction in the rate of interest on the Marina Bonds, in 2001 the Agency refinanced the Marina Bonds but the total amount that

could be raised by the new bond issue was insufficient to pay all of the outstanding indebtedness then owed to MetLife; and

WHEREAS, in order to cover that shortfall, Brisbane made a loan to the Agency in the amount of \$2,295,996 (“the City Loan”), none of which was paid to Brisbane by the Agency prior to its dissolution and none of which has been paid to Brisbane by the Successor Agency after the Agency’s dissolution; and

WHEREAS, from the time Brisbane made the City Loan to the Agency, the City Loan has been included on each Statement of Indebtedness and Comprehensive Annual Financial Report (“CAFR”) filed by the Agency, prior to its dissolution, with the County Auditor-Controller and the State of California, respectively, and filed by the Successor Agency, after the Agency’s dissolution, with the County Auditor-Controller and the State of California, respectively; and

WHEREAS, from the time Brisbane made the City Loan to the Agency, the City Loan has been shown on each of the audited financial statements of the Agency and the Successor Agency; and

WHEREAS, on February 1, 2012, Brisbane and the Successor Agency entered into a Loan Agreement confirming the City Loan was an enforceable obligation of the Successor Agency; and

WHEREAS, that Loan Agreement, in part, establishes the terms for repayment of such loan (“the Loan Repayment Installment” and “the Loan Repayment Installment Schedule”), attached hereto as Exhibit A; and

WHEREAS, on April 12, 2012, the Brisbane Oversight Board approved the 4/15/12 Recognized Obligation Payment Schedule (“ROPS”), as modified, to evidence the City Loan and the City Loan, along with other recognized obligations, was submitted to the State Department of Finance; and

WHEREAS, the City Loan has been included in all subsequent ROPS that the Successor Agency and the Brisbane Oversight Board have filed with the State Department of Finance; and

WHEREAS, the Successor Agency has requested the Brisbane Oversight Board to include the City Loan in the ROPS for 1/1/16; and

WHEREAS, the Brisbane Oversight Board has previously included the City Loan in prior ROPS and continues to find that its inclusion satisfies the requirements of law.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF BRISBANE REDEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Brisbane Oversight Board approves the City Loan and the amount of each Loan Repayment Installment on each ROPS prepared by the Successor Agency for every 6-month period commencing on or after January 1, 2016, and authorizes the Successor Agency to include the amount of each Loan Repayment Installment on each ROPS prepared by the Successor Agency for every six month period on or after January 1, 2016.

Section 2. Once received from the Auditor-Controller, every Loan Repayment Installment will be paid by the Successor Agency to Brisbane, and the outstanding balance of the City Loan will be reduced by a corresponding amount.

Section 3. The Oversight Board directs the Successor Agency staff to transmit this Resolution to the State Department of Finance as required by Health and Safety Code, section 34179 (h).

Section 4. This resolution shall become effective in accord with Health and Safety Code, section 34179 (h).

Cliff Lentz, Chairman

The foregoing resolution was introduced at a regular meeting of the Brisbane Oversight Board, held on the 21st day of January, 2016 and was adopted by the following vote:

AYES:
NOES:
ABSENT:

Sheri Marie Spediacci, Board Clerk

RESOLUTION NUMBER OB 2016-02

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF BRISBANE REDEVELOPMENT AGENCY APPROVING THE SUCCESSOR AGENCY'S REPAYMENT OF A LOAN TO THE CITY OF BRISBANE

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 Brisbane ("Brisbane") previously established the Redevelopment Agency of the City of Brisbane ("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, an oversight board has been duly appointed for the dissolved Agency ("the Brisbane Oversight Board"); and

WHEREAS, prior to dissolution, from time to time Brisbane made loans to the Agency ("City Loans") in order to cover shortfalls in the day to day operations of the Agency, the total amount of which City Loans is \$1.293,108 and none of which the Agency or the Successor Agency has paid to Brisbane; and

provide additional savings by a reduction in the rate of interest on the Marina Bonds, in 2001 the Agency refinanced the Marina Bonds but the total amount that could be raised by the new bond issue was insufficient to pay all of the outstanding indebtedness then owed to MetLife; and

WHEREAS, from the time Brisbane made the City Loans to the Agency, the City Loans have been included on each Statement of Indebtedness and Comprehensive Annual Financial Report ("CAFR") filed by the Agency, prior to its dissolution, with the County Auditor-Controller and the State of California, respectively, and filed by the Successor Agency, after the Agency's dissolution, with the County Auditor-Controller and the State of California, respectively; and

WHEREAS, from the time Brisbane made the City Loans to the Agency, the City Loans have been shown on each of the audited financial statements of the Agency and the Successor Agency; and

WHEREAS, the City Loans have been included in all Recognized Obligation Payment Schedules ("ROPS") that the Successor Agency and the Brisbane Oversight Board have filed with the State Department of Finance; and

WHEREAS, the Successor Agency has requested the Brisbane Oversight Board to include the City Loans in the ROPS for 1/1/16; and

WHEREAS, the Brisbane Oversight Board has previously included the City Loans in prior ROPS and continues to find that its inclusion satisfies the requirements of law.

NOW, THEREFORE, BE IT RESOLVED BY THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE CITY OF BRISBANE REDEVELOPMENT AGENCY AS FOLLOWS:

Section 1. The Brisbane Oversight Board approves the City Loans in the amount of \$1,293,108 and authorizes the Successor Agency to include the amount of the City Loans on each ROPS prepared by the Successor Agency for every six month period on or after January 1, 2016 until the City Loans have been paid in full.

Section 2. Once received from the Auditor-Controller, the amount of the City Loans, whether in full or in part, will be paid by the Successor Agency to Brisbane, and, to the extent the full amount of the City Loans is not paid in one installment, the outstanding balance of the City Loans will be reduced by a corresponding amount.

Section 3. The Oversight Board directs the Successor Agency staff to transmit this Resolution to the State Department of Finance as required by Health and Safety Code, section 34179 (h).

Section 4. This resolution shall become effective in accord with Health and Safety Code, section 34179 (h).

Cliff Lentz, Chairman

The foregoing resolution was introduced at a regular meeting of the Brisbane Oversight Board, held on the 21st day of January, 2016 and was adopted by the following vote:

AYES:

NOES:

ABSENT:

Sheri Marie Spediacci, Board Clerk