

Regular Meeting Agenda January 8, 2014

Board Members

Mr. Ed Garcia, Chair
*Orange County Board of
Supervisors Representative*

Mr. James Harman, Vice Chair
*Orange County Board of
Supervisors Representative*

Mr. Craig Green
*City of Placentia Mayor's
Representative*

Mr. Troy Butzlaff, ICMA-CM
*Former Redevelopment Agency
of the City of Placentia
Employee's Representative*

Ms. Jayne Christakos
*County Superintendent of
Education Representative*

Mr. Al Shkoler
*Placentia Library District
Representative*

Mr. Rodrigo Garcia
*Chancellor of the California
Community College
Representative*

Staff

Chris Jicha
Acting Executive Director

Tania Moreno
Clerk of the Board

**City of Placentia
C/O Oversight Board
401 E Chapman Avenue
Placentia, CA 92870**

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Oversight Board of the Successor Agency to the Redevelopment Agency of the City Of Placentia

Copies of all agenda materials are available for public review in the Clerk of the Board's Office (City Clerk) and online at www.placentia.org, and at Placentia Library Reference Desk. Persons who have questions concerning any agenda item may call the Clerk of the Board's Office, (714) 993-8231, to make inquiry concerning the nature of the item described on the agenda.

Procedures for Addressing the Board Members

Any person who wishes to speak regarding an item on the agenda or on a subject within the Oversight Board's jurisdiction during the "Oral Communications" portion of the agenda should fill out a "Speaker Request Form" and give it to the Clerk of the Board BEFORE that portion of the agenda is called. Testimony for Public Hearings will only be taken at the time of the hearing. Any person who wishes to speak on a Public Hearing item should fill out a "Speaker Request Form" and give it to the Clerk of the Board BEFORE the item is called.

PLEASE SILENCE ALL PAGERS, CELL PHONES, AND OTHER ELECTRONIC EQUIPMENT WHILE BOARD MEMBERS ARE IN SESSION.

Special Accommodations

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk of the Board's Office at (714) 993-8231. Notification 48 hours prior to the meeting will generally enable Staff to make reasonable arrangements to ensure accessibility. (28 CFR 35.102.35.104 ADA Title II)

In compliance with California Government Code § 54957.5, any writings or documents provided to a majority of the Oversight Board regarding any item on this agenda that are not exempt from disclosure under the Public Records Act will be made available for public inspection at the Clerk of the Board's Office at City Hall, 401 East Chapman Avenue, Placentia, during normal business hours.

**OVERSIGHT BOARD
OF THE SUCCESSOR AGENCY TO THE
REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA
REGULAR MEETING AGENDA
January 8, 2014
4:00 p.m. – City Council Chambers
401 E. Chapman Avenue, Placentia, CA**

CALL TO ORDER:

ROLL CALL: Chair Ed Garcia
Vice Chair Harman
Board Member Butzlaff
Board Member Rodrigo Garcia
Board Member Green
Board Member Shkoler
Board Member Christakos

PLEDGE OF ALLEGIANCE:

ORAL COMMUNICATIONS:

At this time, the public may address the Oversight Board concerning any agenda item or on matters within the jurisdiction of the Oversight Board.

1. PRESENTATIONS/ADMINISTRATIVE REPORTS

a. Executive Directors Report

2. CONSENT CALENDAR: None

3. OLD BUSINESS: None

4. NEW BUSINESS:

a. **City Loan to Successor Agency to Fund Cash Flow Shortfall Since Dissolution**

Fiscal Impact: RPTTF \$1,265,870 plus interest

- 1) Approve Resolution OB-2014-01, A Resolution of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia, California, Approving the Loan between the City to the Successor Agency
- 2) Authorize the Successor Agency, to execute, the Loan Agreement for Enforceable Obligations, Administrative Costs and Project Related Expenses in an amount not-to-exceed \$1,265,870 to become effective only upon approval by the Oversight Board and the California Department of Finance

5. PUBLIC HEARING: None

BOARD MEMBERS COMMENTS AND REQUESTS:

Board Members may make requests or ask questions of Staff. If a Board Member would like formal action on any item, it will be placed on a future Board Agenda.

ADJOURNMENT:

The Oversight Board will adjourn to February 12, 2014 at 4:00 p.m.

CERTIFICATION OF POSTING

I, Tania Moreno, Clerk of the Board, hereby certify that the Agenda for the January 8, 2014 meeting of the Oversight Board was posted on Thursday, January 2, 2014.

Tania Moreno, Clerk of the Board



Oversight Board

of the Successor Agency to the Redevelopment Agency of the City of Placentia

AGENDA REPORT

TO: OVERSIGHT BOARD

FROM: ACTING EXECUTIVE DIRECTOR

DATE: JANUARY 8, 2014

SUBJECT: **CITY LOAN TO SUCCESSOR AGENCY TO FUND CASH FLOW
SHORTFALL SINCE DISSOLUTION**

FISCAL
IMPACT: EXPENDITURES: RPTTF \$1,265,870 plus interest

SUMMARY:

Since the dissolution of the Redevelopment Agency of the City of Placentia, the Successor Agency (SA) has not had sufficient Redevelopment Property Tax Trust Fund (RPTTF) funds available to fulfill its obligations approved on the Recognized Obligation Payment Schedules (ROPS) through ROPS 13-14B period ending June 30, 2014. The estimated shortfall is \$1,265,870. The City has sufficient funds to loan the SA the shortfall total. These funds will be repaid by the SA with RPTTF funds beginning with ROPS 14-15A (July 1, 2014 through December 31, 2014) and continue until the loan is repaid. This action approves a loan from the City to the SA to fulfill its obligations under the approved ROPS.

RECOMMENDATION:

It is recommended that the Oversight Board take the following actions:

1. Approve Resolution OB-2014-___, A Resolution of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia, California, Approving the Loan between the City to the Successor Agency.
2. Authorize the Successor Agency, to execute, the Loan Agreement for Enforceable Obligations, Administrative Costs and Project Related Expenses in an amount not-to-exceed \$1,265,870 to become effective only upon approval by the Oversight Board and the California Department of Finance.

DISCUSSION:

The State Legislature adopted AB X1 26 in June 2011 and AB 1484 in June 2012 (the "Legislation") relating to the dissolution of redevelopment agencies on February 1, 2012. Pursuant to the Legislation, the City elected to act as Successor Agency to the former Community Redevelopment Agency of the City of Placentia. As the Successor Agency, the City

is responsible for winding down the former redevelopment agency and provides that the former redevelopment agency's "enforceable obligations" are paid. "Enforceable Obligations" include debt service on outstanding bonds, other third party contracts and a limited amount of administrative costs.

The Legislation has had a significant, perhaps unintended, impact on the former Redevelopment Agency's and on the Successor Agency's ability to pay Enforceable Obligations. Much of this impact is related to the timing of tax increment receipts and the State's assumption in drafting the Legislation that former redevelopment agency enforceable obligation payments due, and reasonable or necessary administrative costs due or incurred, prior to January 1, 2012, were to be made from property tax revenues received in the spring of 2011 property tax distribution, and from other revenues and balances transferred to the successor agency.

On July 18, 2011, the California Redevelopment Association and the League of California Cities filed a petition with the California Supreme Court (the "Court"), requesting the Court to review the constitutionality of AB X1 26. At that time, the Court issued a stay of many provisions of the Code, but did not stay the prohibition in AB X1 26 against incurring new debt. The redevelopment agency was therefore unable to formally adopt an agreement to repay the City for the advance of money required to pay the Enforceable Obligation described above. Further, since the Court had not yet ruled on the constitutionality of AB X1 26, and the Agency had "opted in" to an alternative voluntary redevelopment program in lieu of dissolution of the redevelopment agency, the former redevelopment agency and the City were assuming in good faith that the cashflow advance would be reimbursed when the former redevelopment agency received its distribution of tax increment in December 2011. With the dissolution of the redevelopment agency, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency.

In June 2012, AB 1484 added Section 34173(h) to the Health & Safety Code (the "Code"), which provides the city that authorized the creation of a redevelopment agency may loan or grant funds to a Successor Agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion, but the receipt and use of these funds shall be reflected on the Recognized Obligation Payment Schedule or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of those loans.

Further, Section 34177.3 of the Code states that successor agencies shall lack the authority to, and shall not, create new enforceable obligations or begin new redevelopment work, *except in compliance with an enforceable obligation that existed prior to June 28, 2011*, and that successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance. The advance of money described above was used to pay the Enforceable Obligations listed above that were incurred prior to June 28, 2011.

The Legislation also requires that the Successor Agency prepare a Recognized Obligation Payment Schedule ("ROPS") for each six-month period setting forth all Enforceable Obligations of the Successor Agency. Due to lack of funding in the period of January 1 through June 30, 2012 to fund the entire project expenditures shown on the ROPS for that period, the City was once again required to provide a cashflow advance to make payments on these Enforceable Obligations. This amount of the advance was \$679,054. Since AB 1484 (which allows such advances to be approved and documented under certain circumstances) was not adopted until the end of June 2012, the Successor Agency could not enter into a reimbursement or loan agreement at the time of the expenditure. Again, after the adoption of AB 1484, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency.

Due to further lack of funding in the periods July 1, 2012 through December 31, 2012 (ROPS II), January 1, 2013 to June 30, 2013 (ROPS III) and July 1, 2013 to December 31, 2013 (ROPS 13-14A) to fund the entire project expenditures shown on the ROPS for that period, the City was once again required to provide a cashflow advance to make payments on these Enforceable Obligations. This amount of the advances totaled \$221,815. Since AB 1484, which allows such advances to be approved and documented under certain circumstances, the obligation to reimburse the City for this cashflow advance is now an appropriate obligation of the Successor Agency.

Finally, the Successor Agency will face the same situation for the period January 1 through June 30, 2014 with respect to payment of a portion of its share of the lease payments. There simply will not be enough revenue available to meet all third party contracts. Therefore, the loan will include a cashflow advance component of \$365,000 for the Successor Agency's lease payment due June 15, 2014.

The City's General Fund reserves have been used to provide the cashflow requirements of the former Redevelopment Agency and Successor Agency to pay Enforceable Obligations over the last 24 months and the City currently has unencumbered funds in the Sewer Fund and the Capital Projects Fund (surplus CFD Funds) that are available to be used to make the short-term loan to the Successor Agency.

The Successor Agency recently refinanced its bond obligations and was able to reduce debt payments with respect to the outstanding 2002 Bonds, and refinance the 2009 Notes at an annual payment that is less than originally anticipated. In addition, the Successor Agency's share of lease payments is reduced by approximately \$400,000 per year beginning in 2014. The combination of these reductions in the Successor Agency's obligations going forward should provide the Successor Agency with sufficient available RPTTF to repay the cashflow loan in four (4) years.

A Loan Agreement has been prepared by the City Attorney's Office and is attached. A repayment schedule has been included in the Loan Agreement. The repayment is not subject to the restrictions of Section 34191.4(b) or 34176(e)(6)(B) of the Code and would be paid from first available RPTTF funds not required for other Enforceable Obligations. Interest on the loan shall

accrue until such time as the Loan is repaid in full, at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually.

FISCAL IMPACT:

Proposed expenditures from the Redevelopment Property Tax Trust Fund (RPTTF) are \$1,265,870 plus interest. Funding for this loan is available in the City's Sewer Fund and Capital Projects Fund.

Prepared by:


Chris Jicha
Acting Executive Director

Attachments:

Resolution
Loan Agreement

RESOLUTION NO. OB-2014-XXX

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, APPROVING A LOAN AGREEMENT BETWEEN THE CITY OF PLACENTIA AND THE SUCCESSOR AGENCY IN ORDER FOR THE SUCCESSOR AGENCY TO PAY CERTAIN OBLIGATIONS AND ADMINISTRATIVE COSTS

A. Recitals.

(i). On December 29, 2011, the California Supreme Court rendered its decision in *California Redevelopment Association v. Matosantos*, 53 Cal.4th 231 (2011) ("Matosantos"), finding California Assemble Bill x1 26 ("Dissolution Act") largely constitutional.

(ii). Pursuant to the Dissolution act and the California Supreme Court's decision in *Matosantos*, all California redevelopment agencies, including the Redevelopment Agency of the City of Placentia ("Former Agency"), were dissolved on February 1, 2012.

(iii). The City Council of the City of Placentia ("City Council") adopted a resolution accepting for the City the role of Successor Agency to the Former Agency. As the Successor Agency, the City administers winding down the Former Agency and provides that the Former Agency's "enforceable obligations" are paid, including debt service and outstanding bonds, other third party contracts and a limited amount of administrative costs ("Administrative Cost Allowance").

(iv). The Dissolution Act was amended when the Governor of California signed Assembly Bill 1484 ("AB 1484") on June 27, 2012.

(v). The Former Agency receives tax increment to pay enforceable obligations; however, unexpended tax increment receipts are insufficient to pay all enforceable obligations.

(vi). Pursuant to California Health and Safety Code § 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion; however, the receipt and use of such funds shall be reflected on the Recognized Obligation Payment Schedule ("ROPS") and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of such loans.

(vii). Pursuant to California Health and Safety Code § 34177.3(a), successor agencies lack the authority to, and shall not, create new enforceable obligations under the authority of the Dissolution Act or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2001.

(viii). Pursuant to California Health and Safety Code § 34177.3(b), successor agencies may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

(ix). The Successor Agency has determined that, for the period January 1 through June 30, 2016, with respect to payment of its Administrative Cost Allowance and other validly incurred expenses in that there will be insufficient revenues available from the Redevelopment Property Tax Trust Fund ("RPTTF") to meet all third party contracts and to pay for administrative expenses. Therefore, the City desires to loan a cash flow advance of \$1,265,870.00 to the Successor Agency to fulfill its obligations approved on the Recognized Obligation Payment Schedule ("ROPS") through ROPS 15-16B period ending June 20, 2016.

(x). To enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administrative costs and other obligations, the City desires to loan the Successor Agency an amount not to exceed \$1,265,870.00.

(xi). An oversight board has been established for the Successor Agency ("Oversight Board") and, subject to Oversight Board approval, the Successor Agency may enter into this Loan Agreement with the City pursuant to the authority granted by California Health and Safety Code §§ 33220, 34173(h), 34177.3 and 34180(h).

(xii). The City and the Successor Agency have determined that entering into this Loan Agreement is in the best interests of the City and the Successor Agency.

B. Resolution.

NOW, THEREFORE, THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE REDEVELOPMENT AGENCY OF THE CITY OF PLACENTIA, DOES HEREBY FIND, DETERMINE AND RESOLVE AS FOLLOWS:

1. In all respects as set forth in the Recitals, Part A., above
2. The Oversight Board hereby finds and determines that the proposed Loan Agreement and the Loan are necessary for the Successor Agency to meet its fiduciary responsibilities for the purpose of paying the obligations set forth in the Loan Agreement.
3. The Oversight Board hereby approves: (i) the proposed Loan Agreement between the Successor Agency and the City of Placentia as an enforceable obligation under the Dissolution Act, wherein the City would provide the Loan to the Successor Agency for the purpose of paying the obligations set forth in the Loan Agreement; and (ii) the Successor Agency's repayment of the Loan from the City in each six (6) month period with a pledge of available property taxes payable from the Redevelopment

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Property Tax Trust Fund, at an interest rate applicable to funds on deposit in the Local Agency Investment Fund.

4. The Oversight Board hereby authorizes the Successor Agency to (i) execute the proposed Loan Agreement with the City of Placentia consistent with the terms of the Loan Agreement and the Loan approved by this Resolution, including without limitation the City's Loan in the amount not to exceed \$1,265,870.00; and (ii) the Successor Agency's repayment of the Loan from the City in each six(6) month period with a pledge of available property taxes payable from the Redevelopment Property Tax Trust Fund, at an interest rate on the Loan equal to the rate applicable to funds on deposit in the Local Agency Investment Fund.

5. This Resolution shall take effect at the time and in the manner prescribed in California Health and Safety Code § 34179(h).

6. The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED and ADOPTED this 8th day of January, 2014.

Ed Garcia, Chair, Oversight Board of the
Successor Agency to the Redevelopment
Agency of the City of Placentia

Attest:

Secretary

OB RESOLUTION NO. OB-2014-XXX

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I, _____, Secretary of the Oversight Board of the Successor Agency to the Redevelopment Agency of the City of Placentia do hereby certify that the foregoing Resolution No. OB-2013-XXX was adopted at a regular meeting of the Oversight Board held on the 8th day of January, 2014 by the following vote:

AYES: BOARDMEMBERS:

NOES: BOARDMEMBERS:

ABSENT: BOARDMEMBERS:

ABSTAIN: BOARDMEMBERS:

Secretary, Oversight Board of the
Successor Agency to the Redevelopment
Agency of the City of Placentia

Approved as to Form:

General Counsel

LOAN AGREEMENT
(City Advance to Successor Agency)

This Loan Agreement ("Loan Agreement") is made and entered into as of December 17, 2013, by and between the City of Placentia, a Charter City and municipal corporation, ("City"), and the Successor Agency to the Redevelopment Agency of the City of Placentia, a public entity, duly created, validly existing and in good standing under the laws of the State of California ("Successor Agency").

A. Recitals.

(i). On December 29, 2011, the California Supreme Court rendered its decision in *California Redevelopment Association v. Matosantos*, 53 Cal.4th 231 (2011) ("*Matosantos*"), finding California Assembly Bill x1 26 ("*Dissolution Act*") largely constitutional.

(ii). Pursuant to the *Dissolution Act* and the California Supreme Court's decision in *Matosantos*, all California redevelopment agencies, including the Redevelopment Agency of the City of Placentia ("*Former Agency*"), were dissolved on February 1, 2012.

(iii). The City Council of the City of Placentia ("*City Council*") adopted a resolution accepting for the City the role of Successor Agency to the Former Agency. As the Successor Agency, the City administers winding down the Former Agency and provides that the Former Agency's "enforceable obligations" are paid, including debt service on outstanding bonds, other third party contracts and a limited amount of administrative costs ("*Administrative Cost Allowance*").

(iv). The *Dissolution Act* was amended when the Governor of California signed Assembly Bill 1484 ("*AB 1484*") on June 27, 2012.

(v). The Former Agency receives tax increment to pay enforceable obligations; however, unexpended tax increment receipts are insufficient to pay all enforceable obligations.

(vi). Pursuant to California Health and Safety Code § 34173(h), the city that authorized the creation of a redevelopment agency may loan or grant funds to a successor agency for administrative costs, enforceable obligations, or project-related expenses at the city's discretion; however, the receipt and use of such funds shall be reflected on the Recognized Obligation Payment Schedule ("*ROPS*") or the administrative budget and therefore are subject to the oversight and approval of the oversight board. An enforceable obligation shall be deemed to be created for the repayment of such loans.

(vii). Pursuant to California Health and Safety Code § 34177.3(a), successor agencies lack the authority to, and shall not, create new enforceable obligations under the authority of the *Dissolution Act* or begin new redevelopment work, except in compliance with an enforceable obligation that existed prior to June 28, 2011.

(viii). Pursuant to California Health and Safety Code § 34177.3(b), successor agencies

may create enforceable obligations to conduct the work of winding down the redevelopment agency, including hiring staff, acquiring necessary professional administrative services and legal counsel, and procuring insurance.

(ix). The Successor Agency has determined that, for the period January 1 through June 30, 2013, with respect to payment of its Administrative Cost Allowance and other validly incurred expenses in that there will be insufficient revenues available from the Redevelopment Property Tax Trust Fund ("RPTTF") to meet all third party contracts and to pay administrative expenses. Therefore, the City desires to loan a cash flow advance of \$1,265,870.00 to the Successor Agency to fulfill its obligations approved on the Recognized Obligation Payment Schedules ("ROPS") through ROPS 15-16B period ending June 30, 2014.

(x). To enable the Successor Agency to meet its fiduciary responsibilities to holders of enforceable obligations and for the Successor Agency to have adequate funds for administration costs and other obligations, the City desires to loan to the Successor Agency an amount not to exceed \$1,265,870.00.

(xi). An oversight board has been established for the Successor Agency ("Oversight Board") and, subject to Oversight Board approval, the Successor Agency may enter into this Loan Agreement with the City pursuant to the authority granted by California Health and Safety Code §§ 33220, 34173(h), 34177.3 and 34180(h).

(xii). The City and the Successor Agency have determined that entering into this Loan Agreement is in the best interests of the City and the Successor Agency.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein it is agreed by and between CITY and CONSULTANT as follows:

B. Agreement.

1. In all respects as set forth in the Recitals, Part A., of this Loan Agreement.
2. The City hereby agrees to lend to the Successor Agency the principal amount of One Million Two Hundred Sixty Five Thousand Eight Hundred Seventy Dollars (\$1,265,870.00) ("Loan") for the purposes set forth herein.
3. Interest on the Loan shall accrue as of the Effective Date, continuing until such time as the Loan is repaid in full, at a rate equal to the interest rate applicable to funds on deposit in the Local Agency Investment Fund, compounded annually.
4. The Successor Agency shall use the Loan for the purpose of paying the obligations and up to the amounts as set forth in Exhibit "A," attached thereto and incorporated herein by this reference.
5. The City shall have no obligation to disburse the Loan funds to the Successor

Agency until the California Department of Finance approves this Loan Agreement or is otherwise deemed approved pursuant to the Dissolution Act or State law.

6. The Loan is an enforceable obligation of the Successor Agency payable in accordance with the payment schedule set forth and attached hereto as Exhibit "B" ("Payment Schedule") on June 1 and January 2 of each calendar year solely from property tax receipts attributed to the Former Agency's Redevelopment Projects and maintained in the RPTTF by the Orange County Auditor-Controller for the purpose of paying enforceable obligations of the Successor Agency. The repayment is not subject to the restrictions of § 34176(e)(6)(B) or 34191.4(b) of the California Health and Safety Code and would be paid from first available RPTTF funds not required for other enforceable obligations.

7. The Loan shall be set forth as an enforceable obligation of the Successor Agency on the Third ROPS, as amended, for the period from January 1, 2012 through June 30, 2012 and every ROPS thereafter until paid in full. Each payment described on the Payment Schedule shall be due and payable in full from the Successor Agency's Redevelopment Obligation Retirement Fund ("RORF") beginning with the June 1, 2014 payment to the RORF by the Orange County Auditor-Controller. However, should the Successor Agency receive insufficient funds from the RPTTF to pay all costs shown on the Third ROPS and each ROPS thereafter, then the amount due and payable on the Loan as set forth in the Payment Schedule shall equal the amount deposited into the RORF less all other costs shown on the Third ROPS and each ROPS thereafter, and the unpaid balance of any principal and interest for such ROPS period shall be due and payable in full on the next ROPS.

8. The procedure described above shall continue to be followed for each ROPS until the principal and interest due on the Loan are paid in full. Any remaining principal and interest due on the Loan as set forth in the Payment Schedule shall continue to be shown as an enforceable obligation on each ROPS until the Successor Agency has received sufficient funds to pay all principal and interest due on the Loan.

9. All Loan payments shall first be used to pay all accrued interest and then to reduce the principal balance.

10. The indebtedness of Successor Agency under this Loan Agreement shall be subordinate to the rights of the holder or holders of any existing bonds, notes or other instruments of indebtedness ("indebtedness") of the Successor Agency, including without limitation any pledge of tax increment revenues to pay any portion of the principal (and otherwise comply with the obligations and covenants) of any bond or bonds issued or sold by the Former Agency.

11. The Successor Agency shall have the right to prepay the unpaid principal and interest of the Loan, or portion thereof, at any time.

12. The Successor Agency will keep, or cause to be kept, proper books of record and accounts showing the use of the Loan funds, interest due on the Loan, Loan repayments, and principal and interest outstanding.

13. Failure by the Successor Agency to pay the principal or interest on the Loan when due and payable shall constitute a default (referred to herein as a "Default").

14. A waiver of any Default by the City shall not affect any subsequent Default or impair any rights or remedies on any subsequent default.

15. No remedy herein conferred upon or reserved to the City is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

16. In entering into this Loan Agreement, the City is acting in its capacity as a Charter City, while the Successor Agency is acting in its capacity as the successor to the Former Agency; and both the City and the Successor Agency are acting pursuant to the specific authority granted by the Oversight Board and by California Health and Safety Code §§ 33220, 34173(h), 34177.3 and 34180(h) authorizing agreements between the City and the Successor Agency. In accordance therewith, the parties to this Loan Agreement are not merged.

17. Whenever in this Loan Agreement either the Successor Agency or the City is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Loan Agreement contained by or on behalf of the Successor Agency or the City shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

18. This Loan Agreement may be amended by the parties hereto but only by a written instrument signed by both parties and with the approval of the Oversight Board.

19. This Loan Agreement shall take effect upon approval by the Oversight Board and, following that approval, at the time and in the manner prescribed by California Health and Safety Code § 34179(h) ("Effective Date").

20. If any section, paragraph, sentence, clause or phrase of this Loan Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Loan Agreement. The City and the Successor Agency hereby declare that they would have adopted this Loan Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the Loan irrespective of the fact that any one or more sections, paragraphs, sentences, clauses, or phrases of this Loan Agreement may be held illegal, invalid or unenforceable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above:

SUCCESSOR AGENCY

Scott W. Nelson,
Chairman

Patrick J. Melia,
Secretary

Approved as to form:

Andrew V. Arczynski,
General Counsel

CITY

Scott W. Nelson,
Mayor

ATTEST:

Patrick J. Melia,
City Clerk

Approved as to form:

Andrew V. Arczynski,
City Attorney

EXHIBIT "A"

Payment Date	Amount Due
7/1/2013	\$204,700.00
1/1/2015	\$323,200.00
7/1/2015	\$183,200.00
1/1/2016	\$353,200.00
7/1/2016	\$201,570.00 plus interest